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SECOND EDITION

H. HUGHES-ONSLOW.

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A LAWYER'S MANUAL OF BOOK-KEEPING.

EXPLAINING THE CARDINAL PRINCIPLES OF BOOK-KEEPING BY DOUBLE ENTRY AND THEIR APPLICATION TO THE BOOKS OF ACCOUNT OF TRADERS LIMITED COMPANIES AND SOLICITORS.

BY

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SECOND EDITION

UNIVERSITY COLLEGE, NOTTINGHAM, ECONOMICS DEPARTMENT.

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PREFACE TO SECOND EDITION.

SINCE the first edition of this book was published many readers have been kind enough to suggest the addition of a more advanced illustration of commercial book-keeping, and accordingly, in Part II. of the present edition an attempt has been made to supply this demand. Part I. is reproduced with but slight alteration, and consequently it is hoped that the work may still claim that distinction which has always been the author's aim, inasmuch as it attempts to approach the subject of book-keeping by double entry on the assumption that the reader is entirely ignorant of it. The object of the present work is to enable all men engaged in any profession or business, excepting that of an accountant, to acquire within a few hours all the knowledge of book-keeping which is likely to be of any practical use to them, and also to provide for students who intend to become professional accountants an introduction which will easily enable them to enter upon their work as articled clerks, escaping most, at all events, of the drudgery inevitable to those who start with the intention of acquiring an understanding of the principles of double-entry merely by practical experience.

Part III. of the present edition is practically identical with Part II. of the first edition, and the main object with

which Part II. has been added has already been explained; but it is hoped that in Chapter VI. those who are interested in the investigation of public balance-sheets may find some matters of substantial interest which are entirely new to this work.

For much valuable assistance in the production of the present edition the author is deeply indebted to Mr. Stanley G. Smith, A.C.A.

PREFACE TO FIRST EDITION.

THIS book has been written mainly with the object of communicating to lawyers and law students a sufficient knowledge of the principles of book-keeping to enable them, first of all, to keep their own books of account according to the most effective system, and, secondly, to approach with some degree of familiarity cases involving the investigation of balance-sheets and other records of commercial transactions. It is hoped that the book may be of use also to a variety of men engaged in professions other than that of the law who desire to possess merely such knowledge as is necessary to enable them to keep their own accounts with the least possible risk of confusion.

Owing to the elementary nature of its subject-matter, the first part of the book can claim but little of the merit of originality, the Author's aim having been merely to collect and confine within the narrowest possible limits the fundamental principles of commercial book-keeping by double entry. Any reader desiring to study those principles in somewhat greater detail and at the same time in a form easily intelligible to those who have none of the knowledge of professional accountants is recommended to read "Book-keeping," by Mr. L. Whittem Hawkins, A.C.A.

The Author desires gratefully to acknowledge a number of improvements suggested by Mr. F. H. Maugham, of Lincoln's Inn, and to express his indebtedness to his friend Mr. W. H. Houseman for constant and invaluable assistance throughout all the stages of the preparation of the work.

60, Lincoln's Inn Fields, W.C.
July, 1906.

CONTENTS.

		PAGE
INTRODUCTION		1

PART I.

CARDINAL PRINCIPLES OF DOUBLE ENTRY.

CHAP.		
I.	THE LEDGER ACCOUNTS	5
II.	THE TRIAL BALANCE	18
III.	THE PROFIT AND LOSS ACCOUNT AND BALANCE-SHEET	21

PART II.

COMMERCIAL BOOK-KEEPING.

IV.	THE SET OF BOOKS	30
V.	THE TRANSACTIONS AND ACCOUNTS	37
VI.	INVESTIGATION OF BALANCE-SHEETS	83

PART III.

SOLICITORS' BOOK-KEEPING.

VII.	PRELIMINARY REMARKS	91
VIII.	THE BOOKS REQUIRED	93
IX.	SPECIMEN TRANSACTIONS	104
X.	CLOSING ENTRIES AND TRIAL BALANCE	114
XI.	THE PROFIT AND LOSS ACCOUNT AND BALANCE-SHEET	120
XII.	THE BOOKS RECONSIDERED	123
XIII.	DRAFT BILLS OF COSTS	137
XIV.	BOOKS OF ACCOUNT AS EVIDENCE IN LEGAL PROCEEDINGS	141
	APPENDIX	145

INTRODUCTION.

THE main object of book-keeping, that is of keeping books of account, is to record as clearly and simply and at the same time as infallibly as possible the transactions or dealings in money or money's worth of the person or firm to whose affairs the books of account relate. This object can be attained more or less satisfactorily by various methods, but the system now known as that of double entry has for some centuries past, at all events, been universally regarded as the most perfect yet invented.

The origin of this system appears to be lost in an antiquity almost as remote as that of the art of writing itself. It is believed to have been known in classical times, and indeed it seems by no means improbable that the ἀντιγραφεύς (Financial Secretary) who assisted the ἀποδέκται (Commissioners) of the Treasury in ancient Athens, and was undoubtedly a skilled accountant, made use of it, possibly in a primitive and imperfect form. At all events, the system must have been well understood in the Middle Ages, inasmuch as it formed the subject of a treatise published by an Italian mathematician towards the close of the fifteenth century, and in these circumstances it might fairly be expected that by the present time the subject of book-keeping by double entry would have been reduced to an exact science with which all educated men would be to some extent familiar. The principal reason why this is not so is probably to be found in the fact that the subject does not yield easily to treatment as an

exact science. Its principles (except perhaps the most elementary) are for the most part extremely difficult to define in accurate terms; and consequently nearly all authors who have dealt with the subject in text-books have found it necessary to express their views almost entirely by means of examples in the form of specimen accounts, a rule to which the present work does not pretend to form an exception.

A few general remarks suggest themselves as appropriate to be made at this stage, although they may involve anticipating matters which will be treated in fuller detail in the succeeding chapters.

The system of book-keeping by double entry has been said by some writers to be founded on the rule that "the accounting party is debtor for all that he receives and creditor by all that he pays." It follows that whenever he is a debtor there must be a creditor, and *vice versa*, the result being, as explained in the next chapter, that every transaction can be doubly entered in the books of account.

The reason why the debtor side of an account is always on the left hand, and the creditor side on the right hand, has been said to be that, as we write from left to right, we read first what appears on the left hand, and a man naturally prefers to take account of his liabilities before he turns to his assets. This may well be the reason why, as explained in Chapter III., the liabilities appear on the left and the assets on the right-hand side of a balance sheet, but, as will be seen later, on inspecting the accounts in the ledger, it is difficult to follow the same reasoning through all those accounts.

It is sometimes loosely said that there is no fixed rule by which the debtor side of an account is always on the left and the creditor side on the right hand, and that, for example, the practice of bankers with regard to their

customers' pass-books varies in this respect. This is a misapprehension. It is true that some bankers show their receipts on the left and their payments on the right hand side, while others reverse the arrangement, but in either case the debtor side is always on the left and the creditor always on the right hand. The sides on which the banker's receipts and payments respectively will be found depend upon the heading of the account. If the account is headed "A. in account with B," A. being the accounting party, his receipts will be on the left and his payments on the right hand side, but if the heading is "B. in account with A.," B. becomes the accounting party, and the arrangement of the items will be transposed. Bankers in supplying pass-books to their customers, and solicitors in rendering cash accounts to their clients, certainly vary in their practice as regards the heading of the account. As will be seen later, in considering the form of the ledger accounts, if the banker's or solicitor's receipts are to appear on the left and his payments on the right hand side, it will be necessary to transpose the sides of the customer's or client's account in the ledger when transferring its contents to the pass-book or cash account; and if that is done, the pass-book will be headed "*The Bank* in account with *the Customer*," and the cash account "*The Solicitor* in account with *the Client*."

In framing the accounts given as examples in this book it has, as may be supposed, often been found necessary to sacrifice verisimilitude to clearness and conciseness of illustration, and to distort to some extent the proportions of different classes of items in order to avoid unprofitable repetition. It may perhaps be thought that some of the imaginary transactions exceed the bounds of probability, although, it is hoped, not those of possibility, and a word of explanation seems necessary for the selection of so short a

period as a month for the two sets of accounts which are illustrated in Parts I. and III., and three months as regards Part II., each of which accounts would in practice extend over at least six, or, more probably, over twelve, months. If any longer period had been selected it would have been necessary to choose between irksome repetition on the one hand and on the other the omission of items which must necessarily recur in practice at frequent intervals, either of which two courses would, it is thought, involve a greater evil than the stretch of imagination which the reader has been asked to make.

PART I.

CARDINAL PRINCIPLES OF DOUBLE ENTRY.

CHAPTER I.

THE LEDGER ACCOUNTS.

THE system of book-keeping by double entry is that by which every transaction involving a transfer of money or money's worth is recorded in two separate accounts forming part of a series, not merely by way of repetition, but so as to record the two different aspects in which every such transaction is capable of being regarded. This system, though applicable to every case which can form the subject of accounts, is most usually employed to record the results of carrying on a trade, profession, or other business, and for convenience we will refer to the person whose transactions are recorded by means of it as "the trader."

Each account in the series is divided into two parts or sides, of which one, commonly called the "debtor" or "debit" side, is used to record receipts by or sums paid to, and the other, commonly called the "creditor" or "credit" side, to record payments made by or sums taken from, the person or thing to which the particular account relates.

By universal custom the debit side is on the left hand, and is headed by the abbreviation "Dr.," signifying

"Debtor," while each item contained in it is usually preceded by the word "To," meaning that the account is debtor to the source from which the receipt came. Similarly the credit side is on the right hand and headed by the abbreviation "Cr.," signifying "Creditor," the items in it being usually preceded by the word "By," meaning that the account is creditor by the amount of the payment.

As will appear later, such a series of separate accounts may all be contained in one book, which is called a *ledger*, but usually some of the accounts are, by reason of the large number of items which they have to record, for convenience, kept in separate books, which are distinguished by different names according to the nature of the accounts which they contain. Some of the accounts are technically called "personal," because each such account records only dealings with a particular person, while others, which are technically called "impersonal," are used to record dealings with property of various kinds or to classify different kinds of transactions irrespective of the persons with whom such dealings or transactions take place.

The proposition that every transaction can be regarded in two different aspects follows naturally from the fact that every payment or delivery involves a receipt, and *vice versa;* and so it follows that in the separate accounts forming the series every transaction can be recorded both on the debit side of one account and on the credit side of another, the result, which is the essential feature of the double entry system, being that the total of the items recorded on the debit side of all the accounts added together must always be equal to the total of the items similarly recorded on the credit side. The account debited is always that to which something is given or added, and

may therefore be regarded as the "receiving" account; while the account credited may be regarded as the "paying" account, being always that from which something is taken or subtracted.

By way of illustration of what has been said above, we will proceed at once to give an example of an extremely simple set of accounts contained in a ledger comprising the minimum number of separate accounts. These accounts will relate respectively to receipts and payments of *Cash* (which for this purpose includes cheques and other such equivalents of cash), receipts and payments through the *Bank* account, *Capital*, *Office* (or General) *Expenses*, *Goods*, *Discount*, and the several persons with whom the trader has dealings. It will be seen that the last-mentioned will be what are called "personal" accounts, and the others "impersonal." It is the usual practice in large businesses to subdivide the goods account into separate accounts of "sales" and "purchases," goods sold being credited to the former and goods bought debited to the latter, but in order to avoid the use of an additional account the plan which is adopted here, and fulfils all the requirements of a simple example, is to credit sales and debit purchases to the single goods account. Similarly there is no necessity to open separate accounts for "Discount on Sales" and "Discount on Purchases," a single discount account being sufficient for the present purpose. It must be understood that the object of the example given below is merely to explain elementary principles and not to prescribe a model system for large commercial undertakings.

We will now take an imaginary set of transactions occurring in the course of a month's trading, and show by means of a tabular statement the separate accounts in which each transaction will be recorded, or, to use more technical language, to which each item will be *posted*.

The transactions are numbered in the extreme left-hand column for convenience of reference in our remarks upon them. The student is recommended to read the transactions and the remarks upon them, referring, as he proceeds, to the ledger accounts which follow (on pp. 14 *et seq.*), and to satisfy himself before leaving the chapter that he can correctly post each item without the assistance of the key-columns. It will, of course, be understood that the list of transactions is intended merely for the instruction of students, and does not represent any book commonly used in actual practice. It seems clear, however, that, although not sanctioned by established custom, a record of this kind if kept in practice would afford a valuable safeguard against errors of all kinds.

It will be seen later that each account in the ledger has a distinctive number assigned to it. In practice the number is that of the page or "folio" in the ledger on which the account is to be found, the expression "folio" meaning, where the accounts extend over both pages of the ledger, the pair of pages exposed at one opening. It will also be seen that as each entry is made the number of the account in which the corresponding entry is to be found is noted in the reference column. It is a convenient rule when posting always where possible to make the debit entry before the credit entry.

List of Transactions of B. Rabbit, Trader.

Item.	Date.	Description.	Amount.	Account to be debited.	Account to be credited.
			£ s. d.		
1	Jan. 1	Trading capital paid into bank	500 0 0	Bank	Capital
2	,,	Cheque drawn for office cash	50 0 0	Cash	Bank

Item.	Date.	Description.	Amount.			Account to be debited.	Account to be credited.
			£	s.	d		
3	Jan. 1	Paid cash for stationery for use in office . . .	3	5	0	Office expenses	Cash
4	„	Paid cash for coal for use in office	1	16	0	Office expenses	Cash
5	Jan. 2	Bought goods and paid for same in cash . . .	40	0	0	Goods	Cash
6	Jan. 3	Sold goods and received cash	60	0	0	Cash	Goods
7	Jan. 4	Bought goods and paid for same by cheque . .	100	0	0	Goods	Bank
8	Jan. 6	Sold goods and received cash	150	0	0	Cash	Goods
9	„	Paid wages in cash . .	3	10	0	Office ex's	Cash
10	„	Paid cash into bank . .	200	0	0	Bank	Cash

Item 1 represents the cash capital with which the trader starts business. He pays the amount into his business banking account, and by so doing becomes a creditor of *the business*, and it must be remembered throughout that it is with the accounts of *the business* that we are concerned. Accordingly the trader debits the bank account and credits his own capital account.

Item 2. The amount is *taken from* the Bank and *given to* Cash.

Items 3 and 4 are taken from Cash and given to office expenses, not to Goods, for the reason that the articles purchased are intended for use, and not for sale to customers, the Goods Account being confined to articles of the latter class.

Items 5, 6, 7, and 8 are all "Cash" as distinguished from "Credit" transactions, and consequently, as the transactions are completed at once, there is no necessity to open ledger accounts with the sellers and buyers of the goods. However, if the names of the sellers and buyers are known to

the trader, such accounts could be opened as illustrated in items 12, 13, and 14 below.

Item 10. For convenience of illustration we have treated the cash received as being retained in the cash-box until the end of the week, when so much as can conveniently be spared is paid into the Bank, but in practice it is better to pay all sums into the Bank as soon as possible after receipt.

Item.	Date.	Description.	Amount. £ s. d.	Account to be debited.	Account to be credited.
11	Jan. 8	Bought goods and paid for same by cheque . .	750 0 0	Goods	Bank
12	Jan. 9	Sold goods to Fox & Co. for £400 on credit . .	400 0 0	Fox & Co.	Goods
13	Jan. 10	Sold goods to Terrapin & Co. for £800 on credit.	800 0 0	Terrapin & Co.	Goods
14	Jan. 11	Bought goods from Meadows & Co. for £500 on credit . . .	500 0 0	Goods	Meadows & Co.
15	Jan. 12	Received cheque from Fox & Co. and paid same into bank . . .	400 0 0	Bank	Fox & Co.
16	Jan. 13	Paid wages in cash . .	3 10 0	Office expenses	Cash

Items 12 and 13 represent sales on credit. It is therefore necessary to open a separate ledger account with each customer, debiting him with the goods supplied and crediting Goods Account, from which the goods have been taken.

Conversely item 14 requires an account to be opened with the supplier of goods, who must be credited with the cost of the goods supplied, while Goods Account, which has received an addition of further goods, must be debited

Item 15 shows that when a customer pays for goods his

account is credited with the amount paid, while the Bank Account, which has received his money, is debited.

Item.	Date.	Description.	Amount. £ s. d.	Account to be debited.	Account to be credited.
17	Jan. 15	Terrapin & Co. return part of the goods, for which they were charged £50, as not in accordance with sample, and Rabbit agrees to take them back	50 0 0	Goods	Terrapin & Co.
18	Jan. 16	Similarly Rabbit returns part of the goods bought from Meadows & Co. for which he had been charged £25 . . .	25 0 0	Meadows & Co.	Goods
19	Jan. 17	Fox & Co.'s cheque returned dishonoured . . .	400 0 0	Fox & Co.	Bank
20	Jan. 22	Terrapin & Co. pay for remaining goods bought by them (£750), and Rabbit allows them 5 per cent. discount . . .	37 10 0	Discount	Terrapin & Co.
21	,,	Balance paid in cash . .	712 10 0	Cash	Terrapin & Co.
22	,,	Paid cash into Bank . .	700 0 0	Bank	Cash
23	Jan. 25	Similarly Rabbit pays for the remaining goods bought from Meadows & Co. (£475) and is allowed 10 per cent. discount .	47 10 0	Meadows & Co.	Discount
24	,,	Balance paid by cheque .	427 10 0	Meadows & Co.	Bank

In item 17 Goods Account, having received back the goods returned, must clearly be debited in exactly the same way as if fresh goods had been bought. On the other hand, the customer has discharged part of his indebtedness by returning

the goods, and must be treated as though he had done so by a payment of money, his account being credited accordingly.

Item 18 is the converse of the preceding item, and the same remarks apply *mutatis mutandis.*

Item 19 has the effect of cancelling the transaction shown in item 15, inasmuch as the dishonouring of the cheque revives the debt which the cheque if honoured would have discharged. Consequently the transaction is recorded by reversing the process adopted in item 15.

In item 20 the customer's account must be credited with the discount allowed, for by means of that he has discharged part of his debt just as effectually as if he had returned goods or paid a sum of cash. The discount must be regarded as a counter equivalent to cash, but as it is not cash or goods, it cannot be debited to either the Cash or the Goods Account, and must be debited to a separate account for discount.

Item 23 is merely the converse of item 20.

Item.	Date.	Description.	Amount.			Account to be debited.	Account to be credited.
			£	s.	d.		
25	Jan. 29	Bought goods of Meadows & Co. on credit for £350	350	0	0	Goods	Meadows & Co.
26	„	Sold goods to Terrapin & Co. on credit for £600 .	600	0	0	Terrapin & Co.	Goods
27	Jan. 30	Received from Fox & Co. draft for £250 and paid same into bank . .	250	0	0	Bank	Fox & Co.
28	Jan. 31	Paid one month's rent of office by cheque . .	20	0	0	Off. ex.'s	Bank
29	„	Paid wages to end of month	5	5	0	Off. ex.'s	Cash

These items illustrate no new principle, and require no remark except that they complete the transactions for the month, all of which will be found recorded in the following accounts. For the sake of simplicity, no distinction has been made between interest on the trader's capital and profit earned. An illustration of how these two matters are distinguished will be found in the specimen accounts in Part III.

There will also be found in the accounts below a dotted line some further items not yet mentioned, but which will be explained later and may be disregarded for the present.

The accounts referred to in the preceding list of transactions will appear in the ledger as illustrated below. The dotted line which will be found to occur in each account would not appear in practice, but is inserted in these examples merely to show that only the items above it would in practice have been entered in the books at the present stage.

LEDGER.

INDEX.

Title of Account.	Number of Folio.
Cash	1
Bank	2
Capital	3
Office expenses	4
Goods	5
Fox & Co.	6
Terrapin & Co.	7
Meadows & Co.	8
Discount	9
Profit and loss	10
Balance-sheet	11

1.—CASH.

Dr.			£ s. d.				£ s. d.
Jan. 1	To Bank	2	50 0 0	Jan. 1	By Stationery	4	3 5 0
Jan. 3	,, Goods	5	60 0 0	,,	,, Coal	4	1 16 0
Jan. 6	,, Goods	5	150 0 0	Jan. 2	,, Goods	5	40 0 0
Jan. 22	,, Terrapin & Co.	7	712 10 0	Jan. 6	,, Wages	4	3 10 0
			£972 10 0	,,	,, Bank	2	200 0 0
				Jan. 13	,, Wages	4	3 10 0
				Jan. 22	,, Bank	2	700 0 0
				Jan. 31	,, Wages	4	5 5 0
							£957 6 0
				,,	,, Balance		15 4 0
			972 10 0				972 10 0
Jan. 31	,, Balance		15 4 0				

2.—BANK.

Dr.			£ s. d.				£ s. d.
Jan. 1	To Cash (Capital)	3	500 0 0	Jan. 1	By Cash	1	50 0 0
Jan. 6	,, Cash	1	200 0 0	Jan. 4	,, Goods bought	5	100 0 0
Jan. 12	,, Fox & Co.	6	400 0 0	Jan. 8	,, Goods bought	5	750 0 0
Jan. 22	,, Cash	1	700 0 0	Jan. 17	,, Fox & Co.'s cheque dishonoured	6	400 0 0
Jan. 30	,, Fox & Co.	6	250 0 0	Jan. 25	,, Meadows & Co.	8	427 10 0
			£2,050 0 0	Jan. 31	,, Rent	4	20 0 0
							£1,747 10 0
				,,	,, Balance		302 10 0
			2,050 0 0				2,050 0 0
Jan. 31	,, Balance		302 10 0				

DR. **3.**—CAPITAL. CR.

			£	s.	d.				£	s.	d.
Jan. 31	To Balance		500	0	0	Jan. 1	By Bank	2	500	0	0
			500	0	0				500	0	0
						Jan. 31	,, Balance		500	0	0

DR. **4.**—OFFICE EXPENSES. CR.

			£	s.	d.				£	s.	d.
Jan. 1	To Stationery	1	3	5	0						
,,	,, Coal	1	1	16	0	Jan. 31	By Profit and Loss Account	10	37	6	0
Jan. 6	,, Wages	1	3	10	0						
Jan. 13	,, Wages	1	3	10	0						
Jan. 31	,, Rent	2	20	0	0						
,,	,, Wages	1	5	5	0						
	£37 6 0										
			37	6	0				37	6	0

5.—GOODS.

Dr.			£ s. d.				£ s. d.
Jan. 2	To Cash	1	40 0 0	Jan. 3	By Cash	1	60 0 0
Jan. 4	,, Bank	2	100 0 0	Jan. 6	,, Cash	1	150 0 0
Jan. 8	,, Bank	2	750 0 0	Jan. 9	,, Fox & Co.	6	400 0 0
Jan. 11	,, Meadows & Co.	8	500 0 0	Jan. 10	,, Terrapin & Co.	7	800 0 0
Jan. 15	,, Terrapin & Co.	7	50 0 0	Jan. 16	,, Meadows & Co.	8	25 0 0
Jan. 29	,, Meadows & Co.	8	350 0 0	Jan. 29	,, Terrapin & Co.	7	600 0 0
	£1,790 0 0				£2,035 0 0		
Jan. 31	,, Profit transferred to Profit and Loss Account	10	270 0 0	Jan. 31	,, Balance carried down, being estimated value of stock in trade in hand at this date		25 0 0
			2,060 0 0				2,060 0 0
Feb. 1	,, Balance brought down, being estimated value of stock in trade in hand at this date		25 0 0				

6.—FOX & CO.

Dr.			£ s. d.				£ s. d.
Jan. 9	To Goods	5	400 0 0	Jan. 12	By Bank	2	400 0 0
Jan. 17	,, Cheque dishonoured	2	400 0 0	Jan. 30	,, Bank	2	250 0 0
	£800 0 0				£650 0 0		
				Jan. 31	,, Balance		150 0 0
			800 0 0				800 0 0
Jan. 31	,, Balance		150 0 0				

7.—TERRAPIN & CO.

Dr. Cr.

			£ s. d.				£ s. d.
Jan. 10	To Goods	5	800 0 0	Jan. 15	By Goods returned	5	50 0 0
Jan. 29	,, Goods	5	600 0 0	Jan. 22	,, Discount	9	37 10 0
	£1,400 0 0			,,	,, Cash	1	712 10 0
					£800 0 0		
				Jan. 31	,, Balance		600 0 0
			1,400 0 0				1,400 0 0
Jan. 31	,, Balance		600 0 0				

8.—MEADOWS & CO.

Dr. Cr.

			£ s. d.				£ s. d.
Jan. 16	To Goods returned	5	25 0 0	Jan. 11	By Goods	5	500 0 0
Jan. 25	,, Discount	9	47 10 0	Jan. 29	,, Goods	5	350 0 0
,,	,, Bank	2	427 10 0		£850 0 0		
	£500 0 0						
Jan. 31	,, Balance		350 0 0				
			850 0 0				850 0 0
				Jan. 31	,, Balance		350 0 0

9.—DISCOUNT.

Dr. Cr.

			£ s. d.				£ s. d.
Jan. 22	To Discount on sale to Terrapin & Co.	7	37 10 0	Jan. 25	By Discount on purchase from Meadows & Co.	8	47 10 0
	£37 10 0				£47 10 0		
Jan. 31	,, Balance transferred to Profit and Loss Account	10	10 0 0				
			47 10 0				47 10 0

CHAPTER II

THE TRIAL BALANCE

WE will now suppose that the trader wishes to ascertain the result of his month's trading and the particulars of his assets and liabilities at the end of it. There is no reason why he should not do so now just as well as at the end of six months or a year, and the process will be just the same as it would for the longer period. For convenience we will assume that there are no outstanding liabilities either already incurred or accruing.

It will be remembered (see p. 6) that the total of the items on the debit side of all the accounts ought to be equal to that of the items on the credit side, and the first step is to see that this is so, as if it is not there must be some error to be corrected before proceeding further. This check upon the correctness of the accounts is effected by means of what is called a trial balance, and if the result is to show that the totals of the debit and credit items respectively are equal, the common phrase is that "the books balance." It must, however, be remembered that the trial balance can do no more than show that for every debit entry there is a corresponding credit entry. Even this, indeed, may be more than can be said for it, as an error on one side may be counterbalanced by an error or combination of errors on the other side, and the trial balance affords no test at all of whether the items have been posted to the proper accounts, *e.g.*, whether a payment made by A. has been posted to the credit of A. or of someone else. Consequently all that can be said of the trial balance is that

it tends to bring to light at a conveniently early stage certain errors of common occurrence, such as the omission to credit items which have been debited, and the converse.

The process of taking the trial balance is simple, and consists first of casting up the items on both sides of each account. This has been done in the examples given above, and the amount noted in each case in the second, or, as it is technically called, the "narrative" column opposite the last item so far entered. A list of the accounts as they occur in the ledger is then written out, and four money columns ruled on the right-hand side. The first two columns show respectively the debit and credit totals, and the second two the debit and credit balances of each account, the balances being of course merely the differences between the totals.

It may be thought that the two left-hand or "totals" columns are unnecessary, and it is true that they are not indispensable. They are, however, useful to prevent errors arising in ascertaining the balances to be inserted in the other two columns. In practice the totals of the columns of the ledger accounts would be inserted in pencil in the narrative columns, as shown in our examples, and if these pencil totals are first inserted in the left-hand pair of columns in the trial balance, and the differences then inserted in the right-hand pair of columns, the risk of error seems to be reduced to the minimum. As will be explained later on, in more advanced book-keeping where the system comprises several books instead of a single ledger, the advantages to be gained by using the two pairs of columns are considerably increased.

It should perhaps be mentioned here that if any of the accounts balanced themselves, *i.e.*, if the total of the items on one side was equal to that on the other, such accounts would be ignored for the purpose of the trial balance; but it should be remembered that if the books were found

not to balance it might be necessary to look to the ignored accounts in order to find the error.

Applying this process to the accounts illustrated above, the result is as follows :—

TRIAL BALANCE.—31ST JANUARY, 1906.

Ledger Folio.	Account.	Totals.		Balances.	
		Debit.	Credit.	Debit.	Credit.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.
1	Cash . . .	972 10 0	957 6 0	15 4 0	—
2	Bank . . .	2,050 0 0	1,747 10 0	302 10 0	—
3	Capital . .	—	500 0 0	—	500 0 0
4	Office expenses .	37 6 0	—	37 6 0	—
5	Goods . .	1,790 0 0	2,035 0 0	—	245 0 0
6	Fox & Co. . .	800 0 0	650 0 0	150 0 0	—
7	Terrapin & Co. .	1,400 0 0	800 0 0	600 0 0	—
8	Meadows & Co..	500 0 0	850 0 0	—	350 0 0
9	Discount . .	37 10 0	47 10 0	—	10 0 0
		7,587 6 0	7,587 6 0	1,105 0 0	1,105 0 0

CHAPTER III.

THE PROFIT AND LOSS ACCOUNT AND BALANCE-SHEET.

In order to effect the trader's object of ascertaining, first, the result of his month's trading, and, secondly, the particulars of his present assets and liabilities, it is necessary to prepare two more accounts or statements. One, intended to answer the first purpose, is called the Profit and Loss Account, while the other, intended to answer the second purpose, is called the Balance-sheet. Except only as regards the item "Stock in trade in hand," with which we will deal later on, both of these statements are prepared in a simple case, such as that here illustrated, from the balances appearing in the trial balance, but the beginner may find a difficulty in deciding which of the balances should be included in the Profit and Loss Account, and which should appear only in the Balance-sheet. All the balances must ultimately be brought into account in the Balance-sheet, either without first passing through the Profit and Loss Account, in which case they will appear in the Balance-sheet either singly or grouped together under such heads as "Sundry Creditors," or, having first passed through the Profit and Loss Account, as contributing to make up the balance of that account. Consequently, so far as the balance-sheet alone is concerned, the desired result could be obtained, somewhat clumsily no doubt, by setting out in it all the balances separately, but this would not effect the object of the Profit and Loss Account, as it would not show the result of the month's trading. In determining which items should pass through the Profit

and Loss Account, and which should be carried direct to the Balance-sheet, as there is no clearly definable rule to be followed (*a*), the simplest plan is, in our opinion, to fix the latter class first, bearing carefully in mind the purpose which the Balance-sheet is designed to serve, that is, to furnish a statement of assets and liabilities (*b*). In the Balance-sheet accordingly there should be set out in detail, on the one hand, all the assets of a nature capable of realisation, and, on the other, all the liabilities of a nature capable of being enforced. It is the accepted practice to set out the liabilities on the left-hand side, and the assets on the right-hand side, although this involves transposing the arrangement of the trial balance columns and bringing each item to the opposite side to that on which it has appeared in the ledger accounts, and it is also a convenient practice (though not one universally adopted) to arrange the liabilities, so far as any priority exists between them, in the order in which they would have to be met, and the assets in order according to the ease with which they can be realised.

We can now proceed to pick out from the items appearing in the trial balance those which will *not* be included in the Profit and Loss Account. Clearly the first two items —cash in hand and at the Bank—will fall within this class as being assets capable of immediate realisation. Then comes the trader's capital (3), which, although only owing

(*a*) Some text-writers have endeavoured (mostly with a somewhat liberal use of technical language) to lay down rules, but it would be beyond the scope of this book to attempt to follow their example.

(*b*) It may be of some practical assistance to the beginner to explain that each item to be included in the Balance-sheet must be capable of being regarded from the ordinary and popular point of view as either an asset or a liability, while the Profit and Loss Account is confined to items which are not capable of being so regarded. The difficulty of academically laying down any such rule is apparent at once from the fact that the balance resulting from the Profit and Loss Account is included in the Balance-sheet as an asset or liability according to the side to which it inclines.

from his business to himself and therefore proper to be put at the bottom of the list, is nevertheless a definite liability. It may perhaps be said that it is not of a nature capable of being enforced, as the business belongs to the trader himself, but if the trader, instead of trading alone, were one of a firm to whom the business belonged, the liability would be reasonably capable of being enforced. On the other hand, office expenses (4) represents money sunk in carrying on the business, which could not by any means be recovered, and so clearly cannot be regarded as an asset. The balances at present standing to the credit of the Goods Account (5) and Discount Account (9) respectively, if they could be called liabilities in any sense, are such only as between the business and its proprietor, whether the latter be an individual or a firm, and in fact represent only profit earned. They are, therefore, among the subjects to be included in the Profit and Loss Account, but, as will be seen later, the Goods Account will ultimately show a balance to be carried into the Balance-sheet, independently of the balance resulting from the Profit and Loss Account. Of the three remaining items, the debit balances owing from Fox & Co. (6) and Terrapin & Co. (7) are both recoverable by action against the debtors, while Meadows & Co. (8) might similarly enforce the trader's liability in respect of their credit balance. Accordingly we may for the present determine that items 1, 2, 3, 6, 7, and 8 are to go direct into the Balance-sheet, while items 4, 5, and 9 will pass through the Profit and Loss Account. Where the trial balance contains a larger number of items, it is convenient upon reaching this point to place a tick or some other distinctive mark against each item to be included in the Profit and Loss Account.

We have now to deal with the stock which the trader has in hand, and which, if it has any value, is capable of

realisation, and must, therefore, be carried direct into the Balance-sheet. The value to be attributed to it must be fixed by the trader himself or by some other competent person, and does not, of course, depend merely upon the cost price (*a*). This process of fixing the value is known as "stock-taking," and we will suppose the result in this case to be that the trader values the stock at £25. We have said that this item must be carried direct into the Balance-sheet, but it would be more technically correct to say that the balance ultimately brought down from the Goods Account, which, as will be seen, is in effect the same item, is included in the Balance-sheet, together with the balances similarly brought down from the other accounts which show balances outstanding, and which are technically known as "open" accounts. It will be seen that the Balance-sheet consists simply of a statement of such balances, the credit balances being arranged on one side and the debit balances on the other.

The next step is to make what are called the "closing entries" in the ledger accounts preparatory to drawing up the Profit and Loss Account and Balance-sheet. Where the total of the items on one side of an account is equal to that on the other the account is said to balance, and all that is necessary is to write down the total at the foot of the money column on each side, no entry being made in either the Profit and Loss Account or the Balance-sheet so far as that account is concerned. Where, however, the two totals do not agree, then, dealing first with those accounts the balances of which are to be carried direct to the Balance-sheet, the practice is to add at the foot of whichever side contains the smaller total the word "balance," preceded by the word "to" or "by," according to whether the

(*a*) The most satisfactory plan is to take the cost or market price, which ever is lower.

item is on the debit or the credit side of the account. The amount inserted in the money column is the difference between the two totals as stated in the trial balance, and the result is that the totals of the two money columns are now equal. The total is then inserted at the foot of each column, and a double line drawn underneath, indicating that the account is closed. The account for the next period—in this case monthly, but usually, of course, yearly or half-yearly—is then opened by repeating the "balance" item on the opposite side of the account to that on which it has just been entered and prefixing again the word "to" or "by," according to whether it is now on the debit or the credit side, so that the balance is carried forward to the next period. This process will be found illustrated in each of the six accounts, mentioned on p. 23, the balances of which are to be carried direct to the Balance-sheet, and all that remains to be done, so far as these accounts are concerned, is to enter the balances in the Balance-sheet, credit balances or liabilities appearing on the left-hand side, and debit balances or assets on the right-hand side.

We must now return to the Profit and Loss Account, and of the balances of which it is to be composed we will deal first with that on the Goods Account, which requires somewhat special notice, as it is proposed to bring into this account the item "stock in trade in hand," which has been mentioned above, but has not so far appeared in any ledger account. This matter admits of treatment in a considerable variety of ways, and we have selected for illustration the method which appears to afford the greatest security against errors in succeeding accounts. Now it is obvious that if the trader started the month with no stock in hand, and ended it with stock worth £25, he has not only acquired a capital asset, but has also made a profit so far as that asset alone

is concerned. The Goods Account shows on the credit side the sums which the trader has received on sale of his goods, and this stock in hand, if it has been correctly valued, is capable of being sold for £25. It should, therefore, appear on the credit side of the Goods Account. Now supposing the trader had begun the month's trading with stock in hand worth say £10, and ended with stock worth £25, his profit, so far as those two items are concerned, would be only £15, and this result would have been made to appear in the Goods Account by debiting the £10 at the beginning of the period, and crediting the £25 at the end. Consequently we must be prepared to adopt a similar system for the next ensuing period by opening the next account with a debit item of "stock in trade in hand, £25." Accordingly the closing entries are as follows: on the credit side "By balance carried down, being estimated value of stock in trade in hand, £25." This raises the total of the credit items to £2,060, or £270 in excess of the debit items, that is to say, the cash received or charged for goods sold, added to the value of the goods remaining on hand, exceeds by £270 the expenditure upon goods purchased. The difference represents profit transferable to the Profit and Loss Account, so on the debit side is entered the item "To profit transferred to Profit and Loss Account, £270." The total of each money column (£2,060) is then entered, and a double line drawn below to show that the account is closed, and then the new account is opened with a debit item under date 1st February, "To balance brought down, being estimated value of stock in trade in hand at this date, £25." Thus the Profit and Loss Account is opened with the entry on the credit side "By goods" (*i.e.*, by profit transferred from Goods Account), "£270."

With regard to the other two accounts the balances of which are to appear in the Profit and Loss Account, viz.,

Office Expenses and Discount, it is only necessary to refer to the examples illustrated above, where it will be seen that each account is "balanced off" by an item showing the transfer of the balance to the Profit and Loss Account, and then to the specimen Profit and Loss Account shown on p. 28, where the balances will be found entered with the usual references to the accounts. The Profit and Loss Account can now be closed by entering on the debit side the amount of the balance, £242 14*s.*, which represents the net profit resulting from the month's trading, and which will then be brought down as a credit balance to be included in the Balance-sheet.

Turning now to the specimen Balance-sheet, illustrated on p. 29, we find that the trial balances of the six accounts which have not been dealt with in the Profit and Loss Accounts have been entered and arranged in accordance with the practice stated on p. 22, and, as usual, the reference number of the ledger account entered opposite to each item. The item "Stock in trade in hand, £25," being the balance brought down from the Goods Account, is entered last among the assets, as a sale is necessary before it can be realised, and last among the liabilities comes the credit balance on the Profit and Loss Account. This can, if preferred, be transferred, before the Balance-sheet is made out, to the credit of Capital Account, and merged in the item "Capital," the amount of which is thereby increased to £742 14*s.*, and so the Profit and Loss Account for the next period is started with a clean sheet, no further entry being necessary to dispose of the balance for the period just completed. This is a somewhat neater plan than that which we have illustrated, but the latter, by which the transfer of the balance to the Capital Account must take place in the next period, seems to explain rather more clearly the various steps necessary.

10.—PROFIT AND LOSS ACCOUNT

Dr.					Cr.			
			£ s. d.					£ s. d.
Jan. 31	To Office Expenses . . .	4	37 6 0	Jan. 31	By Goods (*a*)	5		270 0 0
,,	,, Balance being profit for the month		242 14 0	,,	,, Discount	9		10 0 0
			280 0 0					280 0 0
					,, Balance			242 14 0

(*a*) In practice this item is open to the objection that it consists as to £245 (the amount shown in the trial balance) of profit actually realised, and as to the balance of £25 of estimated profit ascertained on stock-taking. This objection could be met by opening a Stock Account distinct from the Goods Account, and setting out the balances of the two accounts separately in the Profit and Loss Account, so as to distinguish between actual and estimated profits.

11.—BALANCE-SHEET—31ST JANUARY, 1906.

Dr. Liabilities.		£ s. d.	Cr. Assets.		£ s. d.
To Meadows & Co.	8	350 0 0	By Cash in hand	1	15 4 0
„ Capital	3	500 0 0	„ Cash at Bank	2	302 10 0
		850 0 0	„ Sundry Debtors:—		
„ Profit and Loss Account	10	242 14 0	Fox & Co. £150 0 0	6	
			Terrapin & Co. £600 0 0	7	
					750 0 0
			„ Stock in trade in hand	5	25 0 0
		1,092 14 0			1,092 14 0

PART II.

COMMERCIAL BOOK-KEEPING.

CHAPTER IV.

THE SET OF BOOKS.

WE can now pass on to give an illustration of a somewhat more advanced set of accounts, and we have chosen as the subject of our example the books of a trading limited company during the first three months of its existence. Of course, in practice the books would not be closed until the expiration of at least six months, or, much more probably, a year ; but the shorter period has been selected for the purpose of avoiding repetition, and in a few cases, as the reader will observe, some unimportant details have been merged into a single item, which would not occur in actual practice.

In this example we have again set out a list of transactions in which will be found every item recorded in the books. In addition to the Ledger, we have now six "books of original entry," that is, books in one or other of which every transaction ought to be recorded at the time when it occurs. These books, and the abbreviations by which we will refer to them in the list of transactions, are as follows :—

Cash Book	C
Journal or Transfer Book . .	T
Purchase Book or Bought Journal	B
Sales Day Book or Sales Journal .	S
Bills Payable Book . . .	BP
Bills Receivable Book . . .	BR

The list of transactions shows in which of these six books each transaction is originally recorded, and the ledger

reference column of the book of original entry shows where the item is subsequently posted, the numerical references relating, of course, to the different accounts in the Ledger. It may be convenient to remark that there are no "bogus" references in this work, that is to say, that every reference number or symbol relates to an entry actually illustrated in the accounts, and capable of being easily found by means of the date of the item.

Beyond the books mentioned above we have also given a condensed illustration of the Petty Cash Book, which merely furnishes the details of the Petty Cash Account in the Ledger, and as it does not directly form part of the system of double-entry, the trial balance being made out without any direct reference to it, it falls within the category of books technically known as "memorandum books." It will easily be understood that in practice this book would show the transactions of every day, and not, as our example does, only the totals of each month. We have thought it unnecessary in this instance to go into greater detail, and have merely shown how the entries and totals in this book coincide with, and also explain, the Petty Cash Account kept in the Ledger in summarized form.

It may be mentioned here that there was a time in the history of book-keeping when a book commonly known as the "Waste Book" was kept for the purpose of recording in the first instance every transaction in a form closely similar to that of our list of transactions; and there was also a time when it was the practice to pass every transaction through the Journal; but the plan which we are now about to illustrate of recording, in the first instance, every transaction in one or other of a set of "books of original entry," seems to be almost universally adopted in the commerce of the present day. Experience has shown that the labour of passing every transaction through one and the same book is

unnecessary, and that the system which we are about to illustrate is the most economical.

A few remarks as to the forms of the books used may be of assistance here. We have already mentioned the **Petty Cash Book**, and the **Ledger** does not seem to require any introduction beyond what has been said about it in Part I., except that it is now relieved of the various matters which form the subject of the books of original entry ; and taking these latter in order we begin with—

The Cash Book, which takes the place of two of the ledger accounts illustrated in Part I., viz. Cash and Bank, and to a large extent takes the place of the Discount Account also by relieving it of detailed posting, and leaving only periodical totals to be transferred to it. According to the system now under consideration, any item which according to the system explained in Part I. would have been entered in any of the three accounts last mentioned, is merely entered in the Cash Book on the debit or credit side, and in the discount, cash, or bank column, as the circumstances may require, and in the trial balance the balances appearing on the cash and bank columns take the place of the balances of the corresponding accounts in the simpler system, while the totals of the discount columns are transferred to the Discount Account in the Ledger. It will easily be seen that this system, which may appear at first sight much more elaborate and complicated than the other, has the advantage of saving time and labour, this being the principal object which all developments in the form of books of account are designed to attain.

The **Journal** or **Transfer Book** in use at the present day is almost identical in form with that employed by Italian bookkeepers of the Middle Ages, and its form is apt to confuse the minds of beginners at first sight. The object of the book coincides exactly with that of our list of transactions in Part I., that is to say, a transaction, which may be more or

less complicated, is recorded together with the accounts in the Ledger or other book in which the same will be debited and credited. Thus a simple transaction which appears in our list as :—

	Amount.	Account debited.	Account credited.
Bought goods of Meadows & Co. on credit for £350 . . .	£ s. d. 350 0 0	Goods	Meadows & Co.

would appear in the Journal as follows :—

	Folio.	Dr.	Cr.
		£ s. d.	£ s. d.
Goods Dr. .	5	350 0 0	
to Meadows & Co. . .	8		350 0 0
Goods bought			

the numbers 5 and 8 in the ledger reference column referring to the accounts of "Goods" and "Meadows & Co." respectively. This is obviously simple enough, but what makes the book appear more confusing is the compound entries, of which several examples occur in the illustration which we are about to offer. Where the transaction involves the debiting or crediting of more than one account, as in the example appearing on p. 54 below, where Income Tax Account is credited with £58 15*s.*, and the corresponding debit is attributed as to £18 15*s.* to Debenture Interest Account and as to the balance of £40 to Directors' Fees Account, the compound item is in the first instance described as "Sundries," and the details are set out below; and so in the case of what may be called a "double-compound" transaction, such as that illustrated in the first item of our Journal on p. 50 below, the entry begins with the words "Sundries Dr. to Sundries," and then follow the details showing what is meant by the word "Sundries" when it occurs first, and how different its

significance when it occurs again at so short a distance. It is difficult to see the advantage gained by the use of the expression "Sundries" at all; but the object of this work is merely to explain the practice of book-keeping as it now exists and not to suggest alterations, and it may be added that "double-compound" transactions are comparatively rare except in the case of "opening entries," of which this is an example. It is, however, in connection with these opening entries necessarily occurring at the inception of every commercial enterprise, in which the new adventurer assumes the assets and undertakes the liabilities of some predecessor, and again with regard to the "closing entries" occurring at the end of each period for which the accounts of every commercial undertaking are made out, that the utility of the Journal is most conspicuous. The closing entries will, it is hoped, explain themselves sufficiently when the time to consider them arrives, and in the mean time it is perhaps sufficient to say that, according to the system of book-keeping which we are now endeavouring to illustrate, the Journal is the original receptacle of every transaction which, from its nature, cannot properly be recorded in any of the other books of original entry. As shown in our example, it is convenient to cast both columns of figures at the end of a complicated opening entry, but for the rest the common practice is merely to cast the columns at the foot of each page, and if the total of the two columns do not agree there must be some mistake. If every transaction were passed through the Journal and the trial balance were then made out in four columns, including closed as well as open accounts, the totals of the Journal columns would of course agree with those of the two totals columns of the trial balance; but, as explained above, it is not now the usual practice to pass all transactions through the Journal. On examining our example it will be seen that the advantage

to be gained by casting the columns of the Journal consists mainly in the fact that, apart from "double-compound" transactions, what may be called "single-compound" transactions, *i.e.* those in which several items appearing in detail in one column are grouped into a single total in the other, frequently occur, with the result that the figures contained in the two columns are by no means identical; but the totals ought to agree, and if they do not, it is clear that some mistake has been made.

The Purchase Book or **Bought Journal** requires but little explanation beyond that, as regards the recording of details, it takes the place of the debit side of the Goods Account illustrated in Part I., or of the Purchases Account, which, as we have seen, amounts to the same thing. It is, however, strictly speaking, merely a memorandum book, inasmuch as the total of the transactions recorded in it is ultimately transferred to the Trading Account in the Ledger, whereby the double-entry is completed. The form of the book may be modified in a number of ways to meet the requirements of the particular business in connection with which it is to be used. The left-hand money column merely furnishes, where necessary, details of a total carried out into the other column. Similarly—

The Sales Day Book or **Sales Journal** takes the place, to the same extent, of the credit side of the Goods Account or of the Sales Account, and the foregoing remarks with reference to the Purchase Book apply equally to this book.

The Bills Payable Book, like the two books which we have just considered, consists as it were of only one side of a ledger account, inasmuch as it contains only credit items. The various "particulars" columns require no comment, but it may be explained that the ledger reference column shows against each separate item the ledger folio of the amount debited, and against the total that of

the Bills Payable Account, to the credit of which the total is transferred. In accordance with the principle explained above in connection with the Petty Cash Book on p. 31, this book, in common with the two last described, and also its counterpart,

The Bills Receivable Book, falls within the category of memorandum books. As will easily be seen, the Bills Receivable Book is the exact converse of the Bills Payable Book, and *mutatis mutandis* the foregoing remarks apply equally to it.

CHAPTER V.

THE TRANSACTIONS AND ACCOUNTS.

THE following example is designed to illustrate as shortly as possible, not only transactions peculiar to limited companies, but also the more important of those which are common to all trading concerns; and in order to avoid irksome repetition the number of items has, so far as possible, been limited to one example of each kind of transaction.

TRANSACTIONS OF OWEN GLENDOWER & SONS, LIMITED.

The Company was incorporated on January 1, 1908, under the Companies Acts, 1862 to 1907, and the following particulars, taken from the Prospectus, have to be recorded in the accounts of the Company :—

Share Capital authorized, in shares of £1 each . . £100,000
Debenture Issue authorized in the Company's Articles . £50,000

The Company "has been incorporated for the purpose of taking over as a going concern from the date of its incorporation, the business of Coal Merchants and Colliery Agents, hitherto carried on by the firm of Owen Glendower & Sons, at Cardiff; and for the purpose of acquiring certain shares in a colliery company for which Owen Glendower & Sons hitherto have acted as agents, and for which the Company will continue to act in the same capacity."

Transactions.				Book of original entry.
"The Company acquires the following Assets :—	£	s.	d.	
Freehold premises and wharves at Cardiff . .	20,450	0	0	T
Coal waggons, 100, valued at £40 each . .	4,000	0	0	
Stock of coal on hand, and on rail . . .	1,275	0	0	
Debtors—				
The Maesburn Co., Ltd.	2,071	10	0	
Welch, Fitter & Co.	364	10	0	
Black Seam Coal Co., Ltd.	2,094	15	0	
Cash at bank, London & Western Bank, Ltd. .	1,401	12	8	
Goodwill	20,000	0	0	
25,000 fully paid £1 shares in the Black Seam Coal Co., Ltd., at 25s. per share, to include any accrued dividend to 31st December, 1907 .	31,250	0	0	
Total .	82,907	7	8	

TRANSACTIONS—*continued.*

Transactions.	Book of original entry.
"The Company assumes the following Liabilities :— £ s. d. Porter, Browning & Co. . . . . 2,174 17 3 East & West Railway Co. . . . . 105 12 9 Frayte Bros. . . . . 626 17 8 Total . 2,907 7 8	T
"The purchase consideration payable to the vendors, Messrs. Owen Glendower & Co., viz. £80,000 (being the difference between the assets and liabilities taken over), is to be discharged as follows:— £ In cash, within three months after allotment . . 40,000 In fully paid 5 per cent. First Mortgage Debentures (interest payable quarterly) . . . 30,000 In fully-paid shares of £1 each 10,000 80,000	T. *See transactions Jan. 11 and Feb. 21.*
"The prospectus offers for subscription 50,000 £1 shares, at a premium of 2*s.* per share, payable as under :— s. d. On application . . . . . 2 6 per share. On allotment . . . . . 7 6 ,, On 1st February (including the 2*s.* per share premium) . . . . . 12 0 ,, 22 0 ,, "The Company will pay all preliminary expenses, and 6*d.* per share for the underwriting of 50,000 shares."	T. *See transactio n Jan. 3, 4, and 6, and Feb. 1.*

The prospectus was issued on the 3rd January, 1908, and thereafter the following Transactions (*a*) took place :—

Date.	Transactions.	Amount.	Book of original entry.
1898.		£ s. d.	
Jan. 3	Applications received for, in all, 63,000 shares, and application monies thereon (2*s.* 6*d.* per share) paid to the company's bankers	7,875 0 0	C

(*a*) Cash transactions are passed through the Company's Bank Account unless otherwise stated.

TRANSACTIONS—*continued.*

Date.	Transactions.	Amount.	Book of original entry.
1908.		£ s. d.	
Jan. 4	The Board in response to the applications made the following allotments of shares :—		
	(*a*) To "Trade" applicants for 30,000 shares . . . (being allotment in full)	30,000 0 0	T
	(*b*) To other applicants for 33,000 shares	20,000 0 0	T
		50,000 0 0	
	Note.—The sums received from applicants who obtained less shares than they had applied for were, in so far as they had exceeded the application monies upon their resultant allotment, applied in part satisfaction of the sums due from these allottees upon allotment. *Letters of allotment, requesting payment of the amounts due upon allotment, were issued by the secretary.*		
Jan. 6	Allotment monies were received by the Company's bankers as under :—		
	January 6th	12,012 12 6	C
	January 7th	3,040 10 0	C
	January 8th	2,011 17 6	C
Jan. 10	Drew cheque in favour of Messrs. Folyo, Deeds & Co., solicitors, for costs of incorporation . . . . . (Chargeable as "preliminary expenses" under the Articles.)	840 0 0	C
,,	Paid by cheque to Messrs. Tendrill & Co., stockbrokers, underwriting commission at 6*d.* per share on issue of 50,000 shares . . . . . (Chargeable as "preliminary expenses.")	1,250 0 0	C
Jan. 11	The legal matters in connection with the transfer to the Company of the assets acquired by it under the Purchase Agreement being now complete, the Board allotted to Messrs. Owen Glendower & Sons, and to their nominees—		
	5 per cent. First Mortgage Debentures, fully paid . . .	30,000 0 0	T
	Shares of £1 each, fully paid . (for which bonds and certificates were sealed), and handed them the Company's cheque for . . . . on account of cash consideration payable.	10,000 0 0	T
		10,000 0 0	C

TRANSACTIONS—*continued.*

Date.	Transactions.	Amount.			Book of original entry.
		£	s.	d.	
1908.					
Jan. 11	Drew cheques as under—				
	For office cash	100	0	0	C
	For petty cash	100	0	0	C
Jan. 13	Purchased of Porter, Browning & Co. 40,000 tons "large" steam coal at 12*s.* 6*d.* per ton.	25,000	0	0	B
Jan. 14	Sold "large" steam coal as under :—				
	(1) To Maesburn Co., Ltd., 25,000 tons at 15*s.*	18,750	0	0	S
	(2) To Welch, Fitter & Co., 12,000 tons at 16*s.*	9,600	0	0	S
Jan. 16	Received from Maesburn Co., Ltd.—				
	Cheque on account . . .	15,000	0	0	C
	Allowed them discount . . .	75	0	0	C
,,	Received from Welch, Fitter & Co. their acceptance at three months date for , ...	9,500	0	0	B R
	Allowed them discount . . .	100	0	0	T
Jan. 17	Discounted with the London and Western Bank, Ltd., Messrs. Welch, Fitter & Co.'s acceptance for . .	9,500	0	0	C
	Being charged discount (three months at 4 per cent.) . .	95	0	0	C
Jan. 20	Purchased 50,000 tons "small" steam coal from Porter, Browning & Co. at 10*s.*	25,000	0	0	B
,,	Consigned to Reveillé & Co., Marseilles, 30,000 tons small steam coal invoiced at cost price 10*s.* per ton . . .	15,000	0	0	T
	Note.—Where consignments are numerous a separate "Consignments Journal" will be kept; in the present example there are no other consignments to be recorded, and this particular transaction is passed through the "Journal." The Sales Journal is not to be used for entering up outward consignments, inasmuch as the object consigned remains, until sale by consignee, the property of the consignor.				
Jan. 21	Paid by cheque, freight expenses and insurance on above consignment .	1,525	14	6	C
Jan. 23	Sold Reveillé & Co. 20,000 tons small steam coal at 12*s.*	12,000	0	0	S

TRANSACTIONS—*continued.*

Date.	Transactions.	Amount. £	s.	d.	Book of original entry.
1908.					
Jan. 25	Mr. J. Jones, holder of 160 shares, whereon he had paid 2*s.* 6*d.* per share application money (£20 in all), having failed to pay the allotment money due thereon after notice so to do, his 160 shares were to-day declared forfeited by the Board.				
	Total amount due on application and allotment on these shares (10*s.* per share)	80	0	0	T
	Amount of application money paid (2*s.* 6*d.* per share) . . .	20	0	0	T
Jan. 31	Paid by cheque, salaries for month:				
	V. Holmes, Secretary . . .	50	0	0	C
	A. J. Wilson, Manager . . .	100	0	0	C
	Sundry clerks (by cheque to V. Holmes for distribution) . .	134	6	8	C
,,	Received from East and West Railway Co. account of railway freights and charges due for month . . .	127	13	6	T
,,	Petty cashier reported that he had during past month spent as follows—				
	Telegrams and postages . .	13	6	2	T
	Travelling expenses . . .	9	1	10	T
	Housekeeper	15	4	8	T
	Subscriptions and periodicals .	1	3	9	T
	Note.—See also the Petty Cash Book, in which in practice this expenditure would appear day by day in detail, being reported as above in total at end of month. The items appear in totals in the cash-book merely for the sake of brevity.	*38*	*16*	*5*	
,,	Drew from bank for petty cash to recoup petty cashier for above expenditure .	38	16	5	C
,,	Secretary paid to Bankers Transfer Registration fees received by him during month (9 at 2*s.* 6*d.* per deed) .	1	2	6	C
Feb. 1	Final instalment of 12*s.* per share (including 2*s.* per share premium) on 49,840 shares issued (being original issue of 50,000 less 160 shares forfeited) fell due to-day, payable to Company's Bankers	29,904	0	0	T
	The amounts received were as under—				
	Feb. 1	21,420	0	0	C
	Feb. 3	6,006	12	0	C
	Feb. 4	2,477	8	0	C

TRANSACTIONS—*continued.*

Date.	Transactions.	Amount. £ s. d.	Book of original entry.
1908.			
Feb. 5	The 160 shares, 2*s.* 6*d.* paid up, forfeited from Mr. J. Jones, having been offered for tender among the larger shareholders, were this day reissued to the highest bidder, viz. Mr. Owen Glendower, upon the terms that he should forthwith pay up the 17*s.* 6*d.* owing in respect of capital, and that he should pay the company in addition a premium of 2*s.* 6*d.* per share.		
	Nominal value of shares . .	160 0 0	T
	Premium of 2*s.* 6*d.* per share . .	20 0 0	T
	Note.—The company thus receives in all £1 2s. 6d. per share for these shares, and the new allottee benefits by the deposit of 2s. 6d. per share paid by the defaulting applicant.		
	Received Mr. Glendower's cheque and banked same	160 0 0	C
Feb. 7	Paid Porter, Browning & Co. on account by cheque	40,000 0 0	C
	Being allowed discount thereon .	400 0 0	C
Feb. 9	Paid Frayte Bros. by cheque in settlement of their account . . .	620 0 0	C
	Being allowed discount thereon .	6 17 8	C
Feb. 11	Paid from office cash Electric Light Account to 31st January, 1908, £34		C
	17*s.* 6*d.* of which only £14 0*s.* 4*d.* was incurred since 1st January, the balance	14 0 4	C
	of £20 17*s.* 2*d.* incurred before that date being recoverable from the vendors, Messrs. Owen Glendower & Sons	20 17 2	C
		34 17 6	
Feb. 13	Cashed from office cash Mr. Owen Glendower's private cheque on his London bankers and paid same into Company's account for collection .	40 0 0	C
Feb. 15	Purchased of Black Seam Coal Co., Ltd.—		
	10,000 tons "large" steam coal at 13*s.* 6*d.*	6,750 0 0	B
,,	Purchased of Porter, Browning & Co.—		
	5,000 tons "large" steam coal at 13*s.*	3,250 0 0	B
	5,000 tons "small" steam coal at 10*s.*	2,500 0 0	B
Feb. 19	Accepted Messrs. Porter, Browning & Co.'s draft at three months date for .	14,600 0 0	B.P
	Paid them by cheque . . .	2,870 0 0	C
	Being allowed discount . . .	54 17 3	C

TRANSACTIONS—*continued.*

Date.	Transactions.	Amount.	Book of original entry.
1908.		£ s. d.	
Feb. 21	Paid Messrs. Owen Glendower & Sons (vendors), in settlement of balance of purchase money as under—		
	£ s. d.		
	Balance due them 30,000 0 0		
	Less their proportion of electric light account . . 20 17 2		
	Cheque handed them for . .	29,979 2 10	C
	The payment of this cheque overdraws the Company's Bank Account by about £7,000, which the Bankers agreed to permit as a temporary loan, pending remittance from Messrs. Reveillé & Co.		
Feb. 22	Received from Black Seam Coal Co., Ltd., by cheque, dividend at rate of 12 per cent. per annum free of tax, for the 3 months ended 31st January, 1908, on the 25,000 shares held in that company	750 0 0	C
	As a company cannot divide profits made prior to its incorporation, and as the shares were bought "including any accrued dividend," such part of the dividend as relates to the period prior to 31st December, 1907, i.e. £500, must be written off cost price of shares.		
	Transferred from Dividends Account to Investment Account . .	500 0 0	T
Feb. 24	Received from Reveillé & Co., by telegraphic transfer through Société Generale de Paris, remittance for credit of their account, and banked same .	20,000 0 0	C
Feb. 29	Paid by cheque, salaries for month—		
	V. Holmes	50 0 0	C
	A. J. Wilson	100 0 0	C
	Sundry clerks	134 6 8	C
,,	Petty cash expenditure for month—		
	Telegrams and postage . . .	8 1 2	T
	Travelling expenses . . .	2 1 6	
	Housekeeper, etc.	16 9 2	
	Subscriptions, etc. . . .	0 5 0	
	Sundries	1 3 4	

TRANSACTIONS—*continued.*

Date.	Transactions.	Amount. £	s.	d.	Book of original entry.
1908. Feb. 29	Drew cheque to recoup petty cashier for above	28	0	2	C
,,	Transfer fees for month paid to bank, 12 at 2*s.* 6*d.*	1	10	0	C
,,	East and West Railway freight account, due for February	32	1	5	T
Mar. 4	Paid East and West Railway, by cheque, balance due to them	265	7	8	C
Mar. 6	Received from Welch, Fitter & Co. cheque	360	0	0	C
	Allowed them discount	4	10	0	C
Mar. 9	Reveillé & Co. advise that consignment to them of 30,000 tons small steam coal realized (net proceeds after deducting their commission) which is to be placed to their debit in account current.	18,532	6	4	T
Mar. 11	Received from Reveillé & Co. further remittance on account, and banked same	5,000	0	0	C
Mar. 12	Purchased from Black Seam Coal Co., Ltd.—				
	20,000 tons "large" steam coal, at 12*s.* 6*d.*	12,500	0	0	B
	10,000 tons "small" steam coal at 9*s.* 6*d.*	4,750	0	0	B
Mar. 13	Sold the British and Oceanic Shipping Co., Ltd.—				
	35,000 tons "large" steam coal, at 14*s.*	24,500	0	0	S
	15,000 tons "small" steam coal, at 10*s.* 6*d.*	7,875	0	0	S
,,	Received cheque on account from British and Oceanic Shipping Co., Ltd.	20,500	0	0	C
Mar. 16	Paid Black Seam Coal Co., Ltd., by cheque on account	20,000	0	0	C
	Discount allowed thereon	200	0	0	C
Mar. 17	Paid by cheque to Frayte & Co., sundry charges for railway freight, waggon hire, and demurrage, to date	3,216	17	6	C
Mar. 18	The Black Seam Coal Co., Ltd., offered for subscription £30,000 6 per cent. Debentures at 90, payable 10 per cent. on application, and 80 per cent. on allotment. This Company (O. G. & Sons, Ltd.) applied for £10,000 thereof, paid by cheque deposit thereon	1,000	0	0	C

TRANSACTIONS—*continued.*

Date.	Transactions.	Amount. £	s.	d.	Book of original entry.
1908. Mar. 20	Accepted the draft of the Black Seam Coal Co., Ltd., at 3 months date, for	3,000	0	0	BP
Mar. 21	Sold Welch, Fitter & Co. 3,000 tons "large" steam coal, at 12*s.* . .	1,800	0	0	S
Mar. 28	Paid Black Seam Coal Co., Ltd., final instalment on £5,500 of their debentures allotted us in response to application	3,950	0	0	C
Mar. 31	Paid salaries for month, by cheques—				
	V. Holmes	50	0	0	C
	A. J. Wilson	100	0	0	C
	Sundry clerks	134	6	8	C
,,	Petty cash expenditure for month—				
	Telegrams and postage . . .	16	9	2	T
	Travelling expenses . . .	21	4	1	
	Subscriptions	1	1	0	
	Sundries	0	18	6	
,,	Refunded petty cashier by cheque, above expenditure	39	12	9	C
,,	Paid by cheques, directors' fees, 3 months—				
	Owen Glendower, Esq., £300, less tax £30 (*a*)	270	0	0	C
	Hon. Algernon Cypher £100, less tax £10 (*a*)	90	0	0	C
,,	Paid by sundry cheques 3 months debenture interest £375, less tax £18 15*s.* (*a*)	356	5	0	C
,,	Transfer fees for month, nil.	—			—
,,	Agency commissions for 3 months due from Black Seam Coal Co., Ltd. .	314	3	2	T
,,	Income tax deducted from Directors' fees and debenture interest as above (*b*)	58	15	0	T
,,	Depreciation of waggons, at 8 per cent. per annum	80	0	0	T
,,	Reserve for expenses accrued due. .	135	0	0	T
,,	Value of stock of coal on hand . .	862	0	0	T
,,	Amount placed out of profits to Reserve	3,000	0	0	T

(*a*) The income tax deducted from these three items (£58 15*s.* 0*d.*) makes up the next item but two.

(*b*) See preceding note.

C—CASH

DR. RECEIPTS.

Date.	Particulars.	Folio.	Discount.	Cash.	Bank.
1908.			£ s. d.	£ s. d.	£ s. d.
Jan. 1	To Balance of Cash— *Received from vendors* . . .	T			1,401 12 8
Jan. 3	,, Application and Allotment Account— 2s. 6d. *per share on* 63,000 *shares applied for*	3			7,875 0 0
Jan. 6	,, Application and Allotment Account— *Allotment monies received* . .	3			12,012 12 6
Jan. 7	*Do.* . .	3			3,040 10 0
Jan. 8	*Do.* . .	3			2,011 17 6
Jan. 11	,, Bank	Contra		100 0 0	
Jan. 16	,, Maesburn Co., Ltd.	32	75 0 0		15,000 0 0
Jan. 17	,, Bills receivable— *Welch, Fitter & Co.'s acceptance discounted*	20			9,500 0 0
Jan. 31	,, Transfer fees— *Total for month*	19			1 2 6
Feb. 1	,, First Call Account— *Amounts received by bankers* .	4			21,420 0 0
Feb. 3	*Do.* .	4			6,006 12 0
Feb. 4	*Do.* .	4			2,477 8 0
Feb. 5	,, Owen Glendower, Esq.— *Cash received for* 160 *forfeited shares reissued*	39			160 0 0
Feb. 13	,, Office Cash— *For Mr. Owen Glendower's cheque cashed from office cash and paid to bank for collection* . .	Contra			40 0 0
Feb. 22	,, Dividends on Investments Account— *Black Seam Coal Co., Ltd.,* 3 *months dividend to* 31*st January,* 1908, *at* 12 *per cent. per annum*	40			750 0 0
	Carried forward . .		75 0 0	100 0 0	81,696 15 2

OOK—C

PAYMENTS. CR.

Date.	Particulars.	Folio.	Discount.	Cash.	Bank.
			£ s. d.	£ s. d.	£ s. d.
1908.					
Jan. 10	By Preliminary Expenses Account—				
	Folyo, Deeds & Co., costs of incorporation	13			840 0 0
	Tendrill & Co., underwriting commission	13			1,250 0 0
Jan. 11	,, Owen Glendower & Son (Vendors' Account)—				
	Part cash purchase consideration	15			10,000 0 0
,,	,, Office Cash	Contra			100 0 0
,,	,, Petty Cash	18			100 0 0
Jan. 17	,, Banker's Discount—				
	On Welch, Fitter & Co.'s acceptance	28			95 0 0
Jan. 21	,, Consignment to Reveillé & Co.—				
	Freight, insurance, and expenses on above	16			1,525 14 6
Jan. 31	,, Salaries—				
	V. Holmes	22			50 0 0
	A. J. Wilson	22			100 0 0
	Sundry clerks	22			134 6 8
,,	,, Petty Cash—				
	To recoup petty cashier for month's expenditure	18			38 16 5
Feb. 7	,, Porter, Browning & Co.—				
	Cheque on account	37	400 0 0		40,000 0 0
Feb. 9	,, Frayte Bros.	38	6 17 8		620 0 0
Feb. 11	,, General Expenses—				
	Electric light, January 1st to January 31st, 1908	26		14 0 4	
,,	,, Messrs. Owen Glendower & Co. (Vendors' Account)—				
	For Electric light to 31st December, 1907	15		20 17 2	
Feb. 13	,, Bank—				
	Mr. Owen Glendower's cheque cashed for him	Contra		40 0 0	
Feb. 19	,, Porter, Browning & Co.—				
	Cheque and discount on settlement of account due them	37	54 17 3		2,870 0 0
Feb. 21	,, Owen Glendower & Co. (Vendors' Account)—				
	Balance due them	15			29,979 2 10
	Carried forward		461 14 11	74 17 6	87,703 0 5

C—CASH

DR. RECEIPTS.

Date.	Particulars.	Folio.	Discount.	Cash.	Bank.
			£ s. d.	£ s. d.	£ s. d.
1908.	Brought forward . .		75 0 0	100 0 0	81,696 15 2
Feb. 24	To Reveillé & Co.— *Per telegraphic transfer* . .	35			20,000 0 0
Feb. 29	,, Transfer fees— *For month, paid to bank* . .	19			1 10 0
March 6	,, Welsh, Fitter & Co.— *In settlement of account* . .	33	4 10 0		360 0 0
March 11	,, Reveillé & Co.— *Remittance on account* . .	35			5,000 0 0
March 13	,, British and Oceanic Shipping Co., Ltd. *On account*	36			20,500 0 0
	Dr. folio in ledger	27	79 10 0		
				100 0 0	127,558 5 2
April 1	To Balances brought down . . .			25 2 6	10,070 8 4

BOOK.—C

Continued. PAYMENTS. CR.

Date.	Particulars.	Folio.	Discount.	Cash.	Bank.
			£ s. d.	£ s. d.	£ s. d.
	Brought forward . . .		461 14 11	74 17 6	87,703 0 5
1908. Feb. 29	By Salaries, for February—				
	V. Holmes	22			50 0 0
	A. J. Wilson	22			100 0 0
	Sundry clerks.	22			134 6 8
,,	,, Petty Cash—				
	To recoup petty cashier . .	18			28 0
March 4	,, East and West Railway Co.—				
	In settlement of account . .	14			265 7
March 16	,, Black Seam Coal Co., Ltd.—				
	Remittance on account . .	34	200 0 0		20,000 0 0
March 17	,, Railway Freight and Waggon Hire—				
	Frayte & Co., charges to date .	23			3,216 17 6
March 18	,, Black Seam Coal Co., Ltd., 6 per cent. Debentures Account—				
	Deposit on application for £10,000 debentures	12			1,000 0 0
March 28	*Final instalment on allotment of £5,500*	12			3,950 0 0
March 31	,, Salaries—				
	V. Holmes	22			50 0 0
	A. J. Wilson	22			100 0 0
	Sundry clerks.	22			134 6 8
,,	,, Petty Cash—				
	To recoup expenditure . . .	18			39 12 9
,,	,, Directors' Fees. 3 months to date—				
	O. Glendower, less tax . . .	29			270 0 0
	Hon. A. Cypher, less tax . .	29			90 0 0
,,	,, Debenture Interest—				
	Sundry cheques, for 3 months' interest to date, less tax . .	30			356 5 0
	Cr. folio in ledger	27	661 14 11		
	,, Balance carried down . . .			25 2 6	10,070 8 4
				100 0 0	127,558 5 2

T—JOURNAL OR TRANSFER BOOK.—T

1908.		Folio.	Dr. £ s. d.	Cr. £ s. d.
Jan. 1	Sundries Dr. to Sundries.			
	Freehold premises and wharves	7	20,450 0 0	
	Coal waggons, 100 valued at £40 each	8	4,000 0 0	
	Stock of coal on hand and on rail	9	1,275 0 0	
	Maesburn Co., Ltd.	32	2,071 10 0	
	Welch, Fitter & Co.	33	364 10 0	
	Black Seam Coal Co., Ltd.	34	2,094 15 0	
	Cash at Bank	Cash Book	1,401 12 8	
	Goodwill	10	20,000 0 0	
	Black Seam Coal Co., Ltd., Shares Account, 25,000 valued at 25*s.* per share	11	31,250 0 0	
	Porter, Browning & Co.	37		2,174 17 3
	East and West Railway Co.	14		105 12 9
	Frayte Brothers	38		626 17 8
	Owen Glendower & Sons (Vendors' Account)	15		80,000 0 0
	For assets and liabilities taken over and purchase price due to vendors per purchase contract, dated 1st Jan., 1908.			
			82,907 7 8	82,907 7 8
Jan. 4	Application and Allotment Account Dr.	3	25,000 0 0	
	to Share Capital	1		25,000 0 0
	For 10s. per share due on 50,000 shares allotted.			
	Carried forward		25,000 0 0	25,000 0 0

T——JOURNAL OR TRANSFER BOOK.——T

Continued.

1908.		Folio.	Dr. £	s.	d.	Cr. £	s.	d.
	Brought forward .		25,000	0	0	25,000	0	0
Jan. 11	Messrs. Owen Glendower & Sons (Vendors) Dr.	15	40,000	0	0			
	to 5 per cent. 1st Mortgage Debentures Account .	2				30,000	0	0
	to Share Capital Account . . .	1				10,000	0	0
	For £30,000 1st Mortgage Debentures and 10,000 shares of £1 each issued to them as fully paid in part satisfaction of purchase consideration.							
Jan. 16	Discount . . Dr.	27	100	0	0			
	to Welch, Fitter & Co.	33				100	0	0
	Discount allowed them.							
Jan. 20	Consignment to Reveillé & Co., Marseilles Dr.	16	15,000	0	0			
	to Coal Despatched on Consignment Account . .	17				15,000	0	0
	For 30,000 tons "small" steam coal invoiced at cost price 10s. per ton.							
Jan. 25	Share Capital Account Dr.	1	80	0	0			
	to Application and Allotment Account	3				80	0	0
	For 10s. per share payable on application and allotment on 160 shares this day forfeited.							
,,	Application and Allotment Account Dr.	3	20	0	0			
	to Forfeited Shares Account . .	6				20	0	0
	For 2s. 6d. per share paid on 160 shares this day forfeited, same having been previously credited to Application Allotment Account.							
	Carried forward .		80,200	0	0	80,200	0	0

T——JOURNAL OR TRANSFER BOOK.——T

Continued.

1908		Folio.	Dr. £ s. d.	Cr. £ s. d.
	Brought forward .		80,200 0 0	80,200 0 0
Jan. 31	Railway Freight and Waggon Hire Account Dr.	23	127 13 6	
	to East and West Railway Co. .	14		127 13 6
	For sundry freight for January.			
,,	Sundries . . Dr.			
	to Petty Cash Account	18		38 16 5
	Telegrams and postages	24	13 6 2	
	Travelling expenses .	25	9 1 10	
	General expenses .	26	16 8 5	
	For expenditure for January as per details set forth in Petty Cash Book.			
Feb. 1	First Call Account Dr.	4	29,904 0 0	
	to Sundries—			
	viz.: Share Capital Account . . .	1		24,920 0 0
	Premium on Shares Account . . .	5		4,984 0 0
	Being 10*s. per share final instalment of capital and* 2*s. per share premium due this day on* 49,840 *shares issued.*			
Feb. 5	Owen Glendower, Esq. Dr.	39	180 0 0	
	to Sundries—			
	viz.: Share Capital Account . . .	1		160 0 0
	Premium on Shares Account . . .	5		20 0 0
	In respect of 160 *shares previously forfeited after* 2*s.* 6*d. per share had been paid thereon by the original allottee, this day reissued to Mr. Owen Glendower on condition of immediate payment of all calls outstanding* (17*s.* 6*d. per share*), *and of payment to company of premium of* 2*s.* 6*d. per share.*			
	Carried forward .		110,450 9 11	110,450 9 11

T——JOURNAL OR TRANSFER BOOK.——T

Continued.

1908.		Folio.	Dr. £	s.	d.	Cr. £	s.	d.
	Brought forward .		110,450	9	11	110,450	9	11
Feb. 5	Forfeited Shares Account Dr.	6	20	0	0			
	to Owen Glendower, Esq.	39				20	0	0
	For 2s. 6d. previously paid on 160 shares forfeited and now reissued.							
Feb. 22	Dividends on Investments Account . . Dr.	40	500	0	0			
	to Black Seam Coal Co., Ltd., Shares Account . .	11				500	0	0
	For two months' dividend accrued due prior to date of purchase, now written off book value of shares.							
Feb. 29	Sundries . . Dr.							
	to Petty Cash Account	18				28	0	2
	Telegrams and postage . . .	24	8	1	2			
	Travelling expenses	25	2	1	6			
	General expenses .	26	17	17	6			
	For expenditure for February.							
,,	Railway freight and waggon hire . Dr.	23	32	1	5			
	to East and West Railway Co. . .	14				32	1	5
	Sundry freight for February.							
Mar. 9	Reveillé & Co. . Dr.	35	18,532	6	4			
	to Consignments to Reveillé & Co. . .	16				18,532	6	4
	Net proceeds of consignment.							
Mar. 31	Sundries . . Dr.							
	to Petty Cash Account	18				39	12	9
	Telegrams and postage . . .	24	16	9	2			
	Travelling expenses	25	21	4	1			
	General expenses .	26	1	19	6			
	For expenditure for March.							
	Carried forward .		129,602	10	7	129,602	10	7

T—JOURNAL OR TRANSFER BOOK.—T

Continued.

1908.		Folio.	Dr. £ s. d.	Cr. £ s. d.
	Brought forward .		129,602 10 7	129,602 10 7
Mar. 31	Black Seam Coal Co., Ltd. . . Dr.	34	314 3 2	
	to Agency Commissions	42		314 3 2
	Commission due to date.			
,,	Sundries . . Dr.			
	to Income Tax Account	41		58 15 0
	Debenture interest .	30	18 15 0	
	Directors' fees . .	29	40 0 0	
	For tax deducted on payment of above, now held for payment to Inland Revenue.			
,,	Depreciation of waggons Dr.	31	80 0 0	
	to Waggons Account .	8		80 0 0
	Depreciation for three months at 8 per cent. per annum.			
,,	General expenses . Dr.	26	135 0 0	
	to Sundry Creditors .	43		135 0 0
	Estimated amount owing for expenses.			
			130,190 8 9	130,190 8 9
	Closing Entries.			
Mar. 31	Trading Account Dr.	45	1,275 0 0	
	to Stock Account .	9		1,275 0 0
	For stock as at 1st January, 1908, transferred.			
,,	Stock Account . Dr.	9	862 0 0	
	to Trading Account .	45		862 0 0
	For stock of coal at 31st March, 1908.			
,,	Stock despatched on consignment . . Dr.	17	15,000 0 0	
	to Trading Account .	45		15,000 0 0
	For balance transferred.			
	Carried forward .		17,137 0 0	17,137 0 0

T——JOURNAL OR TRANSFER BOOK.——T

Continued.

1908.		Folio.	Dr. £	s.	d.	Cr. £	s.	d.
	Brought forward .		17,137	0	0	17,137	0	0
Mar. 31	Trading Account . Dr.	45	9,362	0	0			
	to Profit and Loss Account . . .	46				9,362	0	0
	For gross profit transferred.							
,,	Sundries . . Dr.							
	to Profit and Loss Account . . .	46				3,055	12	5
	Consignment to Reveillé & Co. . .	16	2,006	11	10			
	Transfer fees . .	19	2	12	6			
	Discount . . .	27	482	4	11			
	Dividend on investment . . .	40	250	0	0			
	Agency commission .	42	314	3	2			
	For balances transferred.							
,,	Profit and Loss Account Dr.	46	5,435	2	1			
	to Sundries—							
	viz. : Salaries. .	22				853	0	0
	Railway freight and waggon hire .	23				3,376	12	5
	Telegrams and postage . . .	24				37	16	6
	Travelling expenses	25				32	7	5
	General expenses .	26				185	5	9
	Bankers' discount .	28				95	0	0
	Directors' fees. .	29				400	0	0
	Debenture interest .	30				375	0	0
	Depreciation of waggons . . .	31				80	0	0
	For balances transferred.							
,,	Profit and Loss (Appropriation) Account Dr.	46	3,000	0	0			
	to Reserve Account .	44				3,000	0	0
	For transfer.							
			37,989	14	6	37,989	14	6

B—PURCHASE BOOK OR BOUGHT JOURNAL.

Date.	Bought of.	Tons.	Price.	Description.	Fo. Cr.	Details.	Totals.
1908.			*s. d.*			£ *s. d.*	£ *s. d.*
Jan. 13	Porter, Browning & Co. .	40,000	12 6	Large s.c.	37		25,000 0 0
Jan. 20	Do.	50,000	10 0	Small s.c.	37		25,000 0 0
Feb. 15	Black Seam Coal Co., Ltd. . .	10,000	13 6	Large s.c.	34		6,750 0 0
,,	Porter, Browning & Co. .	5,000	13 0	Large s.c.	—	3,250 0 0	
,,	Do.	5,000	10 0	Small s.c.	—	2,500 0 0	
					37		5,750 0 0
Mar. 12	Black Seam Coal Co., Ltd. . .	20,000	12 6	Large s.c.	—	12,500 0 0	
,,	Do.	10,000	9 6	Small s.c.	—	4,750 0 0	
					34		17,250 0 0
					Dr. 45		79,750 0 0

S—SALES DAY BOOK OR SALES JOURNAL.

Date.	Sold to.	Tons.	Price.	Description.	Fo. Dr.	Details.	Totals.
1908.			*s. d.*			£ *s. d.*	£ *s. d.*
Jan. 14	Maesburn Co., Ltd. . .	25,000	15 0	Large s.c.	32		18,750 0 0
,,	Welch, Fitter & Co. . .	12,000	16 0	Do.	33		9,600 0 0
Jan. 23	Reveillé & Co.	20,000	12 0	Small s.c.	35		12,000 0 0
Mar. 13	British & Oceanic Shipping Co., Ltd. . .	35,000	14 0	Large s.c.	—	24,500 0 0	
,,	Do.	15,000	10 6	Small s.c.	—	7,875 0 0	
					36		32,375 0 0
Mar. 21	Welch, Fitter & Co. . .	3,000	12 0	Large s.c.	33		1,800 0 0
					Cr. 45		74,525 0 0

BP—BILLS PAYABLE BOOK.—BP

Date.	No. of bill.	By whom drawn.	In whose favour drawn.	Date of acceptance.	Tenor.	Date of maturity.	For whose account accepted.	Fo. Dr.	Amount.	Remarks.
									£ s. d.	
1908. Feb. 19	1	Porter, Browning & Co.	Porter, Browning & Co.	1908. Feb. 19	3 months' date.	1908. May 22	Porter, Browning & Co.	37	14,600 0 0	
Mar. 20	2	Black Seam Coal Co., Ltd.	Black Seam Coal Co., Ltd.	Mar. 20	,,	June 23	Black Seam Coal Co., Ltd.	34	3,000 0 0	
								Fo. Cr. 21	17,600 0 0	

BR—BILLS RECEIVABLE BOOK.—BR

Date received.	No. of bill.	Drawn by	Accepted by.	Date of bill.	Tenor.	Date of maturity.	Received from.	Fo. Cr.	Amount.	Remarks.
									£ s. d.	
1908. Jan. 16	1	Owen Glendower & Sons, Ltd.	Welch, Fitter & Co.	1908. Jan. 16	3 months' date.	1908. April 19	Welch, Fitter & Co.	33	9,500 0 0	Discounted, 17th Jan., 1908, with London & Western Bank, Ltd.
								Fo. Dr. 20	9,500 0 0	

PETTY CASH BOOK.

Receipts.					Payments.												
Date.		£	s.	d.	Date.	Particulars.	Total.			Telegrams and postage.			Travelling expenses.			Housekeeper.			Subscriptions, periodicals, etc.			Sundries.		
1908.					1908.																			
Jan. 1	Cheque.	100	0	0	Jan. 31	By Sundry Expenditure for January—																		
Jan. 31	,,	38	16	5		Telegrams & postage	13	6	2	13	6	2												
Feb. 29	,,	28	0	2		Travelling expenses	9	1	10				9	1	10									
Mar. 31	,,	39	12	9		Housekeeper . .	15	4	8							15	4	8						
						Subscriptions and periodicals . .	1	3	9										1	3	9			
					Feb. 29	By Sundry Expenditure for February—																		
						Telegrams & postage	8	1	2	8	1	2												
						Travelling expenses .	2	1	6				2	1	6									
						Housekeeper, etc. .	16	9	2							16	9	2						
						Subscriptions, etc. .		5	0											5	0			
						Sundries . .	1	3	4													1	3	4
					Mar. 31	By Sundry Expenditure for March—																		
						Telegrams & postage	16	9	2	16	9	2												
						Travelling expenses	21	4	1				21	4	1									
						Subscriptions . .	1	1	0										1	1	0			
						Sundries . . .		18	6														18	6
							106	9	4	37	16	6	32	7	5	31	13	10	2	9	9	2	1	10
					,,	By Balance down .	100	0	0															
		206	9	4			206	9	4															
April 1	Balance	100	0	0																				

THE LEDGER.

INDEX.

	FOLIO
Agency Commissions	42
Application and Allotment Account	3
Black Seam Coal Co., Ltd., Shares Account	11
Black Seam Coal Co., Ltd., Debentures Account	12
Black Seam Coal Co., Ltd.	34
Bills Payable	21
Bills Receivable	20
British and Oceanic Shipping Co., Ltd.	36
Coal despatched on Consignment	17
Coal Waggons	8
Consignment to Reveillé & Co.	16
Debentures	2
Debenture Interest	30
Depreciation of Waggons	31
Directors' Fees	29
Discount	27
Discount (Bankers')	28
Dividends on Investments	40
East and West Railway Co.	14
First Call Account	4
Forfeited Shares	6
Frayte Brothers	38
Freehold Premises	7
General Expenses	26
Goodwill	10
Income Tax	41
Maesburn Co., Ltd.	32
Owen Glendower & Sons (Vendors' Account)	15
Owen Glendower, Esq.	39
Petty Cash	18
Porter, Browning & Co.	37
Preliminary Expenses	13
Premiums on Shares	5
Profit and Loss Account	46
Railway Freight, etc.	23
Reserve	44
Reveillé & Co.	35
Salaries	22
Share Capital	1
Stock	9
Sundry Creditors	43
Telegrams and Postage	24
Trading Account	45
Transfer Fees	19
Travelling Expenses	25
Welch, Fitter & Co.	33

The trial balance will be found on p. 80.

LEDGER.

1—SHARE CAPITAL.—1

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
Jan. 25	To 10s. per share on 160 shares (included in 50,000 shares per contra) now forfeited . .	T	80	0	0	Jan. 4	By 10s. per share on 50,000 shares allotted to public .	T	25,000	0	0
						Jan. 11	By 10,000 shares allotted vendors, fully paid	T	10,000	0	0
Mar. 31	To balance carried down .		60,000	0	0	Feb. 1	By 10s. per share due on 49,840 shares issued to public, making them fully paid	T	24,920	0	0
						Feb. 5	By £1 per share on 160 shares previously forfeited, now reissued . .	T	160	0	0
			60,080	0	0				60,080	0	0
						April 7	By balance brought down (60,000 shares of £1 each fully paid) .		60,000	0	0

2—5 PER CENT. FIRST MORTGAGE DEBENTURES.—2

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
						Jan. 11	By £30,000 debentures allotted vendors as fully paid .	T	30,000	0	0

LEDGER.

3—APPLICATION AND ALLOTMENT ACCOUNT.—3

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
Jan. 4	To 10*s.* per share on 50,000 shares allotted	T	25,000	0	0	Jan. 3	By cash—deposits paid on application for shares by public .	C	7,875	0	0
Jan. 25	To 2*s.* 6*d.* per share paid on 160 shares forfeited, transferred to "Forfeited Shares Account" .	T	20	0	0	Jan. 6	By cash—allotment monies .	C	12,012	12	6
						Jan. 7	Do.	C	3,040	10	0
						Jan. 8	Do.	C	2,011	17	6
						Jan. 25	By Forfeited Shares Account . .	T	80	0	0
			25,020	0	0				25,020	0	0

4—FIRST CALL ACCOUNT.—4

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
Feb. 1.	To 12*s.* per share due on 49,840 shares . .	T	29,904	0	0	Feb. 3	By cash . .	C	21,420	0	0
						Feb. 4	By cash . .	C	6,006	12	0
						Feb. 5	By cash . .	C	2,477	8	0
			29,904	0	0				29,904	0	0

LEDGER.

5—PREMIUMS ON SHARES.—5

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Mar. 31	To balance carried down .		5,004 0 0	Feb. 1	By 2*s.* per share premium on 49,840 shares	T	4,984 0 0
				Feb. 5	By 2*s.* 6*d.* per share premium on 160 shares.	T	20 0 0
			5,004 0 0				5,004 0 0
				April 1	By balance .		5,004 0 0

6—FORFEITED SHARES.—6

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Feb. 5	To amount as per contra now transferred to credit of new allottee on re-issue of 160 shares . .	T	20 0 0	Jan. 25	By 2*s.* 6*d.* per share paid on 160 shares forfeited . .	T	20 0 0

7—FREEHOLD PREMISES AND WHARVES.—7

Dr. Cr.

1908.			£ s. d.				
Jan. 1.	To cost of property taken over from vendors . .	T	20,450 0 0				

LEDGER.

8—COAL WAGGONS.—8

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
Jan. 1	To cost 100 waggons taken over from vendors .	T	4,000	0	0	Mar. 31	By depreciation (for 3 months, at 8 per cent. per annum) .	T	80	0	0
							By balance carried down .		3,920	0	0
			4,000	0	0				4,000	0	0
Apl. 1	To balance .		3,920	0	0						

9—STOCK.—9

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
Jan. 1	To value of stock of coal taken over from vendors .	T	1,275	0	0	Mar. 31	By transfer to trading account	T	1,275	0	0
Mar. 31	To stock on hand at date .	T	862	0	0						

10—GOODWILL.—10

Dr.						Cr.				
1908.			£	s.	d.					
Jan. 1	To cost of goodwill on company's incorporation .	T	20,000	0	0					

LEDGER.

11—BLACK SEAM COAL CO., LTD.—11

Shares Account.

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
Jan. 1	To cost 25,000 shares, at 25s. each, taken from vendors .	T	31,250	0	0	Feb. 22	By proportion of dividend applied in reduction of cost, being dividend earned before 1st January, 1908 . .	T	500	0	0
						Mar. 31	By balance carried down .		30,750	0	0
			31,250	0	0				31,250	0	0
April 1	To Balance (25,000 shares)		30,750	0	0						

12—BLACK SEAM COAL CO., LTD.—12

Debentures Account.

Dr.						Cr.				
1908.			£	s.	d.	1908.		£	s.	d.
Mar. 18	To cash deposit 10 per cent. on application for £10,000 debentures. .	C	1,000	0	0	Mar. 31	By balance carried down .	4,950	0	0
Mar. 20	*Note.* — *Allotment*, £5,500.									
Mar. 28	To cash, final instalment on £5,500 . .	C	3,950	0	0					
			4,950	0	0			4,950	0	0
April. 1	To balance (£5,500 debentures) . .		4,950	0	0					

LEDGER.

13—PRELIMINARY EXPENSES.—13

DR. CR.

1908.			£	s.	d.	1908.		£	s.	d.
Jan. 10	To cash to Folyo, Deeds & Co., costs of incorporation .	C	840	0	0	Mar. 31	By balance carried down .	2,090	0	0
,,	To cash, Tendrill & Co., underwriting .	C	1,250	0	0					
			2,090	0	0			2,090	0	0
April 1	To balance .		2,090	0	0					

14—EAST AND WEST RAILWAY COMPANY.—14

DR. CR.

1908.			£	s.	d.	1908.			£	s.	d.
Mar. 4	To cash . .	C	265	7	8	Jan. 1	By balance .	T	105	12	9
						Jan. 31	By freight for month . .	T	127	13	6
						Feb. 29	By freight for month .	T	32	1	5
			265	7	8				265	7	8

LEDGER.

15—OWEN GLENDOWER & SONS (VENDORS).—15

DR. CR.

1908.			£ s. d.	1908.			£ s. d.
Jan. 11	To shares and debentures allotted .	T	40,000 0 0	Jan. 1	By purchase, price payable under contract dated 1st January, 1908 . .	T	80,000 0 0
,,	To cash . .	C	10,000 0 0				
Feb. 11	To cash—amount paid on account vendors for electric light used prior to company's incorporation	C	20 17 2				
Feb. 21	To cash . .	C	29,979 2 10				
			80,000 0 0				80,000 0 0

16—CONSIGNMENT TO REVEILLÉ & Co., MARSEILLES.—16

DR. CR.

1908.			£ s. d.	1908.			£ s. d.
Jan. 20	To coal despatched on consignment .	T	15,000 0 0	Mar. 9	By Reveillé & Co., net proceeds . .	T	18,532 6 4
Jan. 21	To cash, freight and expenses .	C	1,525 14 6				
Mar. 31	Profit and Loss Account, balance, being profit, transferred . .	T	2,006 11 10				
			18,532 6 4				18,532 6 4

LEDGER.

17—COAL DESPATCHED ON CONSIGNMENT.—17

Dr.					Cr.				
1908.			£ s. d.		1908.			£ s. d.	
Mar. 31	To Trading Account, transfer	T	15,000 0 0		Jan. 20	By consignment to Reveillé & Co. . .	T	15,000 0 0	

18—PETTY CASH.—18

Dr.					Cr.				
1908.			£ s. d.		1908			£ s. d.	
Jan. 11	To Cash . .	C	100 0 0		Jan. 31	By sundries .	T	38 16 5	
Jan. 31	,, ,, . .	C	38 16 5		Feb. 29	,, ,, .	T	28 0 2	
Feb. 29	,, ,, . .	C	28 0 2		Mar. 31	,, ,, .	T	39 12 9	
Mar. 31	,, ,, . .	C	39 12 9		,,	Balance down		100 0 0	
			206 9 4					206 9 4	
1908.									
April 1	To balance .		100 0 0						

19—TRANSFER FEES.—19

Dr.					Cr.				
1908.			£ s. d.		1908.			£ s. d.	
Mar. 31	To transfer to Profit and Loss Account .	T	2 12 6		Jan. 31	By cash . .	C	1 2 6	
					Feb. 29	,, ,, . .	C	1 10 0	
			2 12 6					2 12 6	

LEDGER.

20—BILLS RECEIVABLE.—20

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Mar. 31	To sundries (bills receivable per Bills Receivable Book) . .	BR	9,500 0 0	Jan. 17	By bank (Welch, Fitter & Co.'s bill discounted)	C	9,500 0 0

21—BILLS PAYABLE.—21

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
				Mar. 31	By sundries (acceptances per Bills Payable Book) . .	BP	17,600 0 0

22—SALARIES.—22

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Jan. 31	To cash . .	C	50 0 0	Mar. 31	By transfer to Profit and Loss Account .	T	853 0 0
,,	,, ,, . .	C	100 0 0				
,,	,, ,, . .	C	134 6 8				
Feb. 29	,, ,, . .	C	50 0 0				
,,	,, ,, . .	C	100 0 0				
,,	,, ,, . .	C	134 6 8				
Mar. 31	,, ,, . .	C	50 0 0				
,,	,, ,, . .	C	100 0 0				
,,	,, ,, . .	C	134 6 8				
			853 0 0				853 0 0

LEDGER.

23—RAILWAY FREIGHT AND WAGGON HIRE.—23

Dr.			£ s. d.				Cr.
1908.				1908.			£ s. d.
Jan. 31	To sundries (E. & W. Railway)	T	127 13 6	Mar. 31	By transfer to Profit and Loss Account .	T	3,376 12 5
Feb. 29	Do.	T	32 1 5				
Mar. 31	To cash, Frayte & Co. . .	C	3,216 17 6				
			3,376 12 5				3,376 12 5

24—TELEGRAMS AND POSTAGES.—24

Dr.			£ s. d.				Cr.
1908.				1908.			£ s. d.
Jan. 31	To petty cash .	T	13 6 2	Mar. 31	By transfer to Profit and Loss Account. .	T	37 16 6
Feb. 29	,, ,,	T	8 1 2				
Mar. 31	,, ,,	T	16 9 2				
			37 16 6				37 16 6

25—TRAVELLING EXPENSES.—25

Dr.			£ s. d.				Cr.
1908.				1908.			£ s. d.
Jan. 31	To petty cash .	T	9 1 10	Mar. 31	By transfer to Profit and Loss Account. .	T	32 7 5
Feb. 29	,, ,,	T	2 1 6				
Mar. 31	,, ,,	T	21 4 1				
			32 7 5				32 7 5

LEDGER.

26—GENERAL EXPENSES.—26

Dr. Cr.

1908.			£	s.	d.	1908.			£	s.	d.
Jan. 31	To petty cash	T	16	8	5	Mar. 31	By transfer to Profit and Loss Account	T	185	5	9
Feb. 11	To cash, electric light	C	14	0	4						
Feb. 29	To petty cash	T	17	17	6						
Mar. 31	,, ,,	T	1	19	6						
,,	To sundry creditors	T	135	0	0						
			185	5	9				185	5	9

27—DISCOUNT.—27

Dr. Cr.

1908.			£	s.	d.	1908.			£	s.	d.
Jan. 16	To Welch, Fitter & Co.	T	100	0	0	Mar. 31	By sundry discount, per Cash Book	C	661	14	11
Mar. 31	To sundry discount, per Cash Book	C	79	10	0						
,,	To balance transferred to Profit and Loss Account	T	482	4	11						
			661	14	11				661	14	11

28—BANKERS' DISCOUNT.—28

Dr. Cr.

1908.			£	s.	d.	1908.			£	s.	d.
Jan. 16	To bank	C	95	0	0	Mar. 31	By transfer to Profit and Loss Account	T	95	0	0

LEDGER.

29—DIRECTORS' FEES.—29

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Mar. 31	To cash— O. Glendower, Esq. .	C	270 0 0	Mar. 31	By transfer to Profit and Loss Account .	T	400 0 0
	Hon. A. Cypher .	C	90 0 0				
,,	To income tax on above .	T	40 0 0				
			400 0 0				400 0 0

30—DEBENTURE INTEREST.—30

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Mar. 31	To cash, 3 months' interest on £30,000 5 per cent. debentures, less tax .	C	356 5 0	Mar. 31	By transfer to Profit and Loss account . .	T	375 0 0
,,	To income tax on above .	T	18 15 0				
			375 0 0				375 0 0

31—DEPRECIATION OF WAGGONS.—31

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Mar. 31	To Waggons Account (3 months' depreciation at 8 per cent. per annum on £4,000, cost price) . .	T	80 0 0	Mar. 31	By transfer to Profit and Loss Account .	T	80 0 0

LEDGER.

32—MAESBURN CO., LTD.—32

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Jan. 1	To balance .	T	2,071 10 0	Jan. 16	By cash and discount . .	C	15,075 0 0
Jan. 14	,, Sales . .	S	18,750 0 0	Mar. 31	By balance down . .		5,746 10 0
			20,821 10 0				20,821 10 0
April 1	To balance .		5,746 10 0				

33—WELCH, FITTER & CO.—33

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Jan. 1	To balance .	T	364 10 0	Jan. 16	By bill receivable . .	BR	9,500 0 0
Jan. 14	,, sales . .	S	9,600 0 0	,,	By discount .	T	100 0 0
				Mar. 6	By cash and discount . .	C	364 10 0
			9,964 10 0				9,964 10 0
Mar. 21	To sales . .	S	1,800 0 0				

LEDGER.

34—BLACK SEAM COAL CO., LTD.—34

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
Jan. 1	To balance .	T	2,094	15	0	Feb. 15	By purchases .	B	6,750	0	0
Mar. 16	To cash and discount . .	C	20,200	0	0	Mar. 12	,, ,, .	B	17,250	0	0
						Mar. 31	,, balance down		1,608	18	2
Mar. 20	To bill payable	BP	3,000	0	0						
Mar. 31	To agency commission due .	T	314	3	2						
			25,608	18	2				25,608	18	2
April 1	To balance .		1,608	18	2						

35—REVEILLÉ & CO.—35

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
Jan. 23	To sales . .	S	12,000	0	0	Feb. 24	By cash . .	C	20,000	0	0
Mar. 9	To proceeds of consignment .	T	18,532	6	4	Mar. 11	,, ,, . .	C	5,000	0	0
						Mar. 31	,, balance down . .		5,532	6	4
			30,532	6	4				30,532	6	4
April 1	To balance .		5,532	6	4						

LEDGER.

36—BRITISH AND OCEANIC SHIPPING CO., LTD.—36

Dr.					Cr.				
1908.			£ s. d.		1908.			£ s. d.	
Mar. 13	To sales . .	S	32,375 0 0		Mar. 13	By cash . . .	C	20,500 0 0	
					Mar. 31	By balance down . .		11,875 0 0	
			32,375 0 0					32,375 0 0	
April 1	To balance .		11,875 0 0						

37—PORTER, BROWNING & CO.—37

Dr.					Cr.				
1908.			£ s. d.		1908.			£ s. d.	
Feb. 7	To cash and discount . .	C	40,400 0 0		Jan. 1	By balance .	T	2,174 17 3	
Feb. 19	To bill payable	BP	14,600 0 0		Jan. 13	By coal purchased . .	B	25,000 0 0	
,,	To cash and discount . .	C	2,924 17 3		Jan. 20	Do.	B	25,000 0 0	
					Feb. 15	Do.	B	5,750 0 0	
			57,924 17 3					57,924 17 3	

38—FRAYTE BROS.—38

Dr.					Cr.				
1908.			£ s. d.		1908.			£ s. d.	
Feb. 9	To cash and discount . .	C	626 17 8		Jan. 1	By balance .	T	626 17 8	

LEDGER.

39—OWEN GLENDOWER, Esq.—39

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Feb. 5	To 160 shares previously forfeited, now reissued at 2*s.* 6*d.* per share premium . .	T	180 0 0	Feb. 5	By 2*s.* 6*d.* per share transferred from Forfeited Shares Account . .	T	20 0 0
				,,	By cash . .	C	160 0 0
			180 0 0				180 0 0

40—DIVIDENDS ON INVESTMENTS.—40

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
Feb. 22	To transfer to Investment Account (Black Seam Coal Co., Ltd.) .	T	500 0 0	Feb. 22	By cash, three months' dividend to 31st January, 1908, on 25,000 Black Seam Coal Co., Ltd., shares .	C	750 0 0
Mar. 31	To transfer to Profit and Loss Account .	T	250 0 0				
			750 0 0				750 0 0

41—INCOME TAX.—41

Dr. Cr.

1908.			£ s. d.	1908.			£ s. d.
				Mar. 31	By amounts deducted from debenture interest and directors' fees	T	58 15 0

LEDGER.

42—AGENCY COMMISSIONS.—42

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
Mar. 31	To transfer to Profit and Loss Account	T	314	3	2	Mar. 31	By Black Seam Coal Co., Ltd.	T	314	3	2

43—SUNDRY CREDITORS.—43

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
						Mar. 31	By amount reserved to provide for sundry creditors for expenses owing at date	T	135	0	0

44—RESERVE.—44

Dr.						Cr.				
1908.			£	s.	d.	1908.			£	s.	d.
						Mar. 31	By transfer from Profit and Loss Account	T	3,000	0	0

45—TRADING ACCOUNT—45

for the Three Months ended 31st March, 1908.

Dr.						Cr.				
1908.		£	s.	d.	1908.		£	s.	d.
Jan. 1	To Stock . .	1,275	0	0	Mar. 31	By Sales . .	74,525	0	0
Mar. 31	To Purchases .	79,750	0	0	,,	By Coal despatched on Consignment (cost price) . .	15,000	0	0
,,	To Gross Profit carried to Profit and Loss Account .	9,362	0	0	,,	By Stock . .	862	0	0
		90,387	0	0			90,387	0	0

LEDGER.

46—PROFIT AND LOSS ACCOUNT.—46

DR. for the Three Months ended 31st March, 1908. CR.

1908.		£	s.	d.	1908.		£	s.	d.
Mar. 31	To Salaries	853	0	0	Mar. 31	By Gross Profit on sales, brought from Trading Account.	9,362	0	0
,,	To Railway Freight and Waggon Hire	3,376	12	5	,,	By Profit on Consignment	2,006	11	10
,,	To Telegrams and Postage	37	16	6	,,	By Transfer Fees	2	12	6
,,	To Travelling Expenses	32	7	5	,,	By Discount	482	4	11
,,	To General Expenses	185	5	9	,,	By Dividend on Investment	250	0	0
,,	To Bankers' Discount	95	0	0	,,	By Agency Commission	314	3	2
,,	To Directors' Fees	400	0	0					
,,	To Debenture Interest	375	0	0					
,,	To Depreciation of Waggons	80	0	0					
,,	To balance carried down, being Net Profit	6,982	10	4					
		12,417	12	5			12,417	12	5
Mar. 31	To Transfer to Reserve	3,000	0	0	Mar. 31	By balance, Net Profit, brought down	6,982	10	4
,,	To balance carried forward	3,982	10	4					
		6,982	10	4			6,982	10	4
					Mar. 31	By balance brought down	3,982	10	4

46a—*PROFIT AND LOSS (APPROPRIATION) ACCOUNT.*—46a

DR. *Showing Payment of Dividend and Allocation of Profit Earned.* CR.

1908.		£	s.	d.	1908.		£	s.	d.
April 15	*To dividend declared at the rate of 2½ per cent. upon share capital of £60,000(a)*	1,500	0	0	*Mar.* 31	*By balance brought down, being balance of profits available for distribution*	3,982	10	4
,,	*To amount applied in reduction of Preliminary Expenses*	1,500	0	0					
,,	*Balance carried forward to next quarter's accounts*	982	10	4					
		3,982	10	4			3,982	10	4

(a) *For the sake of simplicity this amount is calculated as if all the shares had been fully paid up on 1st January, which of course is not the case.*

OWEN GLENDOWER &

BALANCE SHEET AS

DR.

LIABILITIES.	£ s. d.	£ s. d.
SHARE CAPITAL AUTHORIZED—		
100,000 shares of £1 each	100,000 0 0	
DEBENTURE ISSUE AUTHORIZED	50,000 0 0	
SHARE CAPITAL ISSUED—		
50,000 shares of £1 each issued for cash 10,000 shares of £1 each issued to vendors as fully paid		60,000 0 0
PREMIUMS ON SHARES ISSUED		5,004 0 0
RESERVE		3,000 0 0
DEBENTURES (5 per cent. first mortgage)		30,000 0 0
TRADE CREDITORS ON OPEN ACCOUNTS	135 0 0	
BILLS PAYABLE	17,600 0 0	
INCOME TAX payable on directors' fees and debenture interest	58 15 0	17,793 15 0
PROFIT AND LOSS ACCOUNT, balance of profits for quarter ended 31st March, 1908, after placing £3,000 to reserve		3,982 10 4
		119,780 5 4

O. GLENDOWER
ALGERNON CYPHER } *Directors.*

Cardiff, March 31, 1908.

SONS, LIMITED.

AT 31ST MARCH, 1908.

CR.

ASSETS.	£	s.	d.
CASH AT BANK AND IN HAND	10,195	10	10
TRADE DEBTORS ON OPEN ACCOUNTS	26,562	14	6
INVESTMENTS IN SHARES AND DEBENTURES of Black Seam Coal Co., Ltd., valued at cost price	35,700	0	0
STOCK OF COAL on hand and on rail as valued by Directors	862	0	0
FREEHOLD PROPERTY AND WHARVES AT CARDIFF, at cost price	20,450	0	0
COAL WAGGONS, at cost price, less depreciation at 8 per cent. per annum	3,920	0	0
GOODWILL, at cost price	20,000	0	0
PRELIMINARY EXPENSES, amounts expended	2,090	0	0
	119,780	5	4

AUDITORS' REPORT.

We report that we have examined the foregoing balance-sheet with the books and vouchers of the Company, and that in our opinion such balance-sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs at the 31st March, 1908, according to the best of our information and the explanations given us, and as shown by the books of the Company.

We further report that we have obtained all the information and explanations that we have required.

SAVAGE, GUY & CO., *Chartered Accountants.* } *Auditors.*

Cardiff, 1st April, 1908.

TRIAL BALANCE (Extracted Prior to Closing Entries).

31ST MARCH, 1908.

Ledger Folio.		Dr. £	s.	d.	Cr. £	s.	d.
1	Share capital				60,000	0	0
2	Debentures				30,000	0	0
5	Premium on shares				5,004	0	0
7	Freehold premises and wharves	20,450	0	0			
8	Coal waggons	3,920	0	0			
9	Stock (1st January, 1908)	1,275	0	0			
10	Goodwill	20,000	0	0			
11	Black Seam Coal Co., Ltd., Shares Account	30,750	0	0			
12	Black Seam Coal Co., Ltd., Debentures Account	4,950	0	0			
13	Preliminary expenses	2,090	0	0			
16	Consignment to Reveillé & Co.				2,006	11	10
17	Coal despatched on consignment				15,000	0	0
18	Petty cash	100	0	0			
19	Transfer fees				2	12	6
21	Bills payable				17,600	0	0
22	Salaries	853	0	0			
23	Railway freight and waggon hire	3,376	12	5			
24	Telegrams and postage	37	16	6			
25	Travelling expenses	32	7	5			
26	General expenses	185	5	9			
27	Discount				482	4	11
28	Bankers' discount	95	0	0			
29	Directors' fees	400	0	0			
30	Debenture interest	375	0	0			
31	Depreciation of waggons	80	0	0			
32	Maesburn Co., Ltd.	5,746	10	0			
33	Welch, Fitter & Co.	1,800	0	0			
34	Black Seam Coal Co., Ltd.	1,608	18	2			
35	Reveillé & Co.	5,532	6	4			
36	British and Oceanic Shipping Co., Ltd.	11,875	0	0			
40	Dividends on investments				250	0	0
41	Income tax				58	15	0
42	Agency commission				314	3	2
43	Sundry creditors				135	0	0
	Sales Journal				74,525	0	0
	Bought Journal	79,750	0	0			
	Bank balance	10,070	8	4			
	Office cash balance	25	2	6			
		205,378	7	5	205,378	7	5

It is hoped that the knowledge of accounts which the reader has now acquired will enable him to understand, without further explanation, the manner in which the foregoing transactions have been recorded in the books. It should, however, perhaps be explained that the reason why Welch, Fitter & Co.'s account (33) is balanced before the date at which the books are closed, is simply because on the 6th March a cheque is received from them which exactly discharges their indebtedness to the company, and it is easy to see that where (as would commonly happen in practice) there are a large number of items on either side of the account, instead of the few shown in our example, by ruling off the account whenever it balances and starting afresh below the line, the work of ascertaining how the account stands at any time is greatly simplified.

The closing entries (which are not set out in the list of transactions) will be found at the end of the Journal; but transfers of totals from memorandum books to ledger accounts are not recorded in the Journal, and accordingly the latter contains no mention of the transfer to the Discount Account of the totals of the discount columns in the Cash Book, which, as we have seen, is, so far as these columns are concerned, merely a memorandum book.

It will be seen that in the present example, in the place of the single Profit and Loss Account illustrated in Part I., there are two accounts—the first of which is called Trading Account, and the other Profit and Loss Account. This is in accordance with the ordinary practice of trading concerns, the object of the Trading Account being to ascertain the gross profit, and that of the Profit and Loss Account to ascertain the net profit. It is obviously as difficult to lay down a hard-and-fast rule as to what should be included in each of these two accounts, as it is to say where "gross

profits" end and "net profits" begin ; but, generally speaking, it is easy enough to say on which side of the line any particular item falls, and no very serious harm results if an item which ought to be included in one account appears in the other instead. In manufacturing concerns, the Trading Account (often called the "Manufacturing Account") should contain on the debit side only such items as represent the direct cost of making the article, and similarly in trading concerns, where the article is bought ready made, the cost of the article so bought ; while in both cases all other items of expenditure attributable to income should appear in the Profit and Loss Account.

In our example, the supplemental or Appropriation Profit and Loss Account (46A) is inserted in order to show how it is subsequently decided to dispose of the profit earned. It will be seen that a dividend is paid at the rate of 2½ per cent., absorbing £1500 ; a further sum of £1500 is written off the item "Preliminary Expenses," reducing the balance on that account to only £590, and the balance of £982 10*s.* 4*d.* is carried forward to the next period.

It must be understood that the amount of the capital of a limited company cannot be reduced or increased, except in accordance with the provisions of the Companies' Acts, and consequently it is not optional to merge the balance resulting from the Profit and Loss Account in the Capital Account, as it would be in the case of a private firm, as explained on p. 27 above.

CHAPTER VI.

INVESTIGATION OF BALANCE-SHEETS.

It may be of some assistance to students who have not much experience of such matters if we conclude this portion of our work with a few simple remarks upon the composition of balance-sheets of public companies and other commercial undertakings. However many items or large figures it may contain, every balance-sheet is, or ought to be, made out on the principles illustrated in the examples which we have now given. On the one side will be found the liabilities to be met, and on the other the assets available to meet them.

Some authorities object to the practice of describing as liabilities and assets items which appear respectively on the debtor and creditor sides of the balance-sheet, on the ground that such description must often be inaccurate. That the objection is not without foundation appears from the balance-sheet illustrated in Part II., where the amount expended on "Preliminary Expenses" is included under the head of Assets. Such an item cannot, of course, be regarded as an asset in the popular sense, but this fact must be sufficiently obvious to the least careful critic, and the student of accounts is perfectly safe if he approaches every balance-sheet submitted to his criticism upon the assumption that, if the balance-sheet is correct, all the liabilities which the concern has to meet are set out on the debtor side, and all the assets which it has available to meet them (with the possible exception of uncalled capital) (*a*) are set out on the creditor side. He must then proceed to test each item, and

(*a*) See p. 88, below.

it may be that he will find included on the creditor side items which cannot fairly be regarded as assets as defined in the Encyclopædia of Accounting, that is to say, "available property and rights which can be applied in satisfaction of liabilities, or be turned into money or money's worth"; and, similarly, he may find items such as "Reserve" or "Reserve Fund" on the debtor side, which can hardly be regarded as representing a liability to any one, but when these items are eliminated he is left with nothing but liabilities on the debtor side, and nothing but assets on the creditor side, and for this reason we prefer to retain the practice of heading the two sides as in the examples given above.

Dealing with the debtor side of the balance-sheet, the item "Reserve" or "Reserve Fund" is intended, as its name suggests, to represent an excess of assets over liabilities, or, in other words, a sum of capital held in reserve to provide for contingencies. Whether it does so or not depends entirely upon the values attributed to the assets, and it may perfectly well be that by reason of over-valuation of assets a company purporting to possess a large reserve fund is in fact insolvent. Consequently, the mere fact of such an item appearing in a balance-sheet must not of itself be taken as any reliable evidence of the company's financial stability. In some instances, it is true, there will be found among the assets an item corresponding in amount to the reserve fund and showing the actual state of investment of that fund, but this plan is not always found so convenient as it is satisfactory. Some authorities hold that where no such corresponding item appears among the assets the item on the debtor side may legitimately be called "Reserve," but not "Reserve Fund"; but against this view it is to be remarked that in the form of balance-sheet included in Table A, under section 15 of the Companies Act, 1862,

the item "Reserve Fund" appears under the head of liabilities without any specific assets being appropriated to justify it.

In order to form an opinion as to the solvency of the undertaking, it is necessary to consider whether the assets set out on the opposite side of the statement are really equivalent to the liabilities, and it may be, and indeed usually is, the case that the assets include items as to the true value of which it is difficult or impossible to form any opinion without some means of knowledge apart from the balance-sheet. For example, until quite recently it was the exception rather than the rule for the balance-sheet to afford any information as to the means by which the values assigned to such assets as freehold and leasehold property, buildings, plant, machinery, etc., had been ascertained, but now by section 21 of the Companies Act, 1907, which came into operation on 1st July, 1908, every public company is required to disclose in the annual statement or balance-sheet which it is required to file with the Registrar of Joint Stock Companies how the values of the fixed assets have been arrived at, and this provision will, it is hoped, tend greatly to increase the utility of published balance-sheets. It is true that the Act contains no definition of what are to be included under the category of "fixed assets," and here again it is difficult to lay down a hard-and-fast rule, but for present purposes it will suffice to define all assets which are acquired with the object of being converted in the ordinary course of business into cash as "floating assets," and all others as "fixed assets"; and applying this test to our example on p. 79 above, it will be seen that the first, second, and fourth items are clearly floating assets, the third might be placed in either class, and the rest are fixed. *Ex abundante cautela*, the officers of the company have in

our example endeavoured to comply with the requirements of the Act in every case in which any doubt could possibly exist. It must, however, be remembered that the statutory provision just mentioned falls very far short of applying to all balance-sheets. For example, private companies are expressly exempted, and, of course, it has no reference to private firms, so that in the future, as in the past, it will be common for the prospectus of a new company, formed to carry on what has hitherto been a private undertaking, to invite public support by exhibiting past balance-sheets of the private firm, which have naturally been made out without any regard to the requirements of the Companies Acts. Some experience of finance also suggests that so wholesome an enactment as that which we have just been considering will not fail to arouse the ingenuity of many who may find it oppressive, and consequently the reader who wishes to study the art of investigating balance-sheets may well be advised not to rely too much on the protection afforded by the Act of 1907, good as it is. Accordingly, it may generally be said that the first point to which inquiry should be directed in investigating a balance-sheet is the question whether the method adopted of valuing the assets is satisfactory or not. It will be observed that in our example the balance-sheet shows that the values of several items have been ascertained by reference to the cost price, but even when this fact is known, the question remains whether the assets have not been acquired—as unfortunately for the public they often are—at a price considerably exceeding their true value. One of the least satisfactory items that can be found among the assets in a balance-sheet is, "Expenditure," which is not uncommonly the only description to be found opposite a figure of large amount, and might obviously represent money thrown into the sea. Such an item must always

arouse the suspicion that it does not represent available assets, and if it does not, the question immediately arises whether any further dividends can properly be paid without a reduction of capital. This matter, however, involving, as it does, difficult questions of law, does not lie within the scope of these remarks. Another item which lends itself easily to inflation is "Goodwill," and, generally speaking, an undertaking in whose balance-sheet no such item occurs is in a sounder condition than one which finds it necessary to assign that description to a part of its assets. It must not, however, be supposed that it is never legitimate to include among the assets any item representing either goodwill or expenditure of some kind; on the contrary, in the example which we have just given and intend to be typical of an ordinary properly conducted commercial undertaking, it will be seen that both goodwill and expenditure occur among the assets; but with regard to the former the fact is stated that it has been valued at cost price, which, having regard to the amount of profits earned in the first quarter's trading, is obviously very moderate, being under two years' purchase, and the latter is restricted to preliminary expenses, which are properly attributable to capital and cannot increase in future. One other matter which should also form the subject of inquiry where any opportunity exists is, whether any of the liabilities are secured upon specific assets. Without any knowledge as to this, a man might give credit to a company relying upon the existence of a particular asset specified in the balance-sheet, and erroneously assuming that at the worst that asset, at all events, would be available to satisfy his claim *pari passu* with those of the other creditors, whereas the same asset may, in fact, have been already specifically charged in favour of another creditor. This, if it is the fact, may, and indeed ought to, appear on the face of the balance-sheet, in which

case any person intending to give credit to the company should take careful note of it; but it is never safe to assume that because no such charge is disclosed none exists.

A valuable asset which may escape the notice of a beginner is uncalled capital. For example, the balance-sheet of a bank or insurance company may begin with the following items at the head of the debtor side:—

LIABILITIES.

Dr.		
Capital 50,000 shares of £100 each .	£5,000,000	£
To amount paid up, £50 per share on 50,000 shares		2,500,000

This means that as only £50 has been called up on each £100 share, there is another £50 per share of uncalled capital, that is to say, nominally a further sum of £2,500,000 available to satisfy the claims of creditors, in addition to the assets specified as such in the balance-sheet; but if any debentures have been issued, it is more than likely that they are charged upon the uncalled capital, and if this is so, of course the uncalled capital is not available to meet the claims of ordinary creditors until the debentures have been redeemed in full. And in any case a very liberal allowance must be made for the contingency of shareholders being unable to meet the call of the balance due on their shares, as the liability of each shareholder is, of course, limited to the amount of his own shares.

It is also important to see that every item of expenditure chargeable against income is included in the Trading or Profit and Loss Account, and not charged against capital by inclusion in the balance-sheet under the head of such an item as "Expenditure." It is clear that by the latter process the profits earned by any undertaking during any

particular year or series of years might be grossly exaggerated, and consequently any item among the assets which is so described that it might represent merely expenditure of a nature properly attributable to income, must be regarded with suspicion, and, if possible, further investigated.

To sum up, the proper investigation of a balance-sheet consists mainly in making the most careful inquiry possible into the value of each item included under the head of assets, and it must not be forgotten that the auditor's certificate now required by s. 19 of the Companies Act, 1907, valuable as it no doubt is, cannot afford complete security against that most insidious form of misrepresentation—the over-valuation of assets. The statute only requires auditors to "state whether in their opinion the balance-sheet is properly drawn up, so as to exhibit a true and correct view of the state of the company's affairs, according to the best of their information and the explanations given to them, and *as shown by the books of the company*." The same section also requires the auditors to state "whether or not they have obtained all the information and explanations they have required," but nothing is said as to what information, etc., ought to be required, and it would obviously be rash to trust all auditors to require all that is necessary in every case. Again, assets which have been valued accurately enough a number of years ago may have been depreciating steadily ever since from causes altogether outside the knowledge of the auditors, and unless proper allowance for such depreciation is made in the books by the officers of the company, or as the result of the requirements of vigilant auditors, the balance-sheet may still contain statements of a most mischievous and misleading nature.

In case any misunderstanding should arise in connection with the suggestion frequently made above that, where necessary, inquiry should be made beyond the

balance-sheet itself, it may be well to explain that in a great number of cases no such further inquiry is possible. For example, where fresh capital or debentures are offered for subscription, the intending investor, if the invitation reaches him merely as a member of the public, is not likely to be in a position to obtain any information beyond such as is disclosed by the balance-sheet; but it is otherwise in such cases as where a man contemplates opening an account at a bank or taking the policy of an insurance company against any kind of risk. Obviously in any such case the balance-sheet should be investigated, and if such further information as is required is not furnished, the business can be entrusted to some other bank or insurance company.

Whenever the opportunity occurs it is obvious that much valuable information can be obtained by comparing the profit and loss accounts and balance-sheets for a series of past years, the investigator thus ascertaining how business has fluctuated, and, perhaps, other matters of importance.

Finally, with regard to the Profit and Loss Accounts of insurance companies, it may be useful to mention here that in order to comply with the form prescribed by the Life Assurance Companies Act, 1870, it is necessary to transpose the two sides of the account so that the items which would, according to the ordinary practice, appear on the debit side, appear on the credit side, and *vice versâ;* but the abbreviations Dr. and Cr. nevertheless appear in their usual places at the head of the account.

PART III.

SOLICITORS' BOOK-KEEPING.

CHAPTER VII.

PRELIMINARY REMARKS.

HAVING now endeavoured to explain the more elementary principles of book-keeping by double entry, we pass on to consider how those principles may be applied to the accounts necessary to be kept in a solicitor's business. As may perhaps be supposed, it will be found, when deciding upon a system to be adopted, that with regard to almost every detail two or more alternative courses offer themselves for selection. It may be that one of the alternatives is better suited to a large and another to a smaller business, or a variety of other considerations may bear upon the question. The result is that it is impossible to claim for any complete system that it is preferable to any other in every detail and for use in every solicitor's office. On the other hand, granted the adoption of a system dependent on the principles of double entry, the variations possible in matters of detail, though numerous, are not substantially dissimilar in principle, and consequently when one system is thoroughly understood no difficulty need be found in adopting, and adapting to it, any variation which circumstances may be found to require. In the system which is described below an attempt has been made to consider at every point the requirements of a small as well as those of a large establishment, and to illustrate a set of books convenient for use in the office of any solicitor, whatever may be the extent of the practice. The forms of some of the books illustrated are considerably more complicated

than anything which we have described in Part I., but the main object of the increased complication is merely to save labour in book-keeping, and any practitioner who may prefer simplicity of form to economy of labour should, we think, find little difficulty in adapting to his requirements the system illustrated in Part I. For this purpose it would be practically necessary to adopt, in addition to the ledger, at least one of the separate books mentioned in the next succeeding chapter, viz. the Cash Book, and, in any but a very small business, it would be difficult to dispense with a Bills Delivered Book. A solicitor starting in practice without much experience of book-keeping and wishing to keep his own books would probably find a valuable protection against errors in keeping a record similar in form to our list of transactions illustrated below in Chapter VI. In this record each transaction would be entered as it occurred and the posting of the entries to the proper accounts could be deferred to a convenient opportunity.

CHAPTER VIII.

THE BOOKS REQUIRED.

BELIEVING, as we do, that every system of book-keeping may be explained more easily by means of examples than by any attempt to lay down rules of general application, we propose to proceed as soon as possible to explain by illustrating a series of accounts the system which we consider most advantageous, reserving until later any discussion of the relative merits and advantages of that and other alternative systems. It is, however, necessary in the first place to make a few general observations principally on the subject of the books to be used.

Although not impossible, it would be extremely inconvenient in any but a very small business to confine all the accounts within the limits of a single ledger, and consequently it becomes necessary to record in several separate books what might in a simple case form the subject of ordinary ledger accounts. It will further be found convenient for the economy of time and space that these separate books should adopt forms differing considerably from that of an ordinary ledger, but, notwithstanding all differences of form, the books will nevertheless still form part of the system of book-keeping by double entry, and bear exactly the same relation to one another as if they were all simple accounts included in the same ledger.

The principal books of account usually found convenient for a solicitor's business are—(1) Cash Book, (2) Disbursement or Petty Cash Book, (3) General or Clients' Ledger,

(4) Private Ledger, (5) Bills Delivered Book, and (6) Transfer Book or Journal. Of these No. 2 belongs to the class technically called "memorandum books"; that is to say, it does not form part of the double-entry system except to the extent that it furnishes details of totals to be transferred to a book which does form part of the system. No. 5, the Bills Delivered Book, forms part of the double-entry system in all respects down to the point at which the totals of the items recorded in it are transferred to the Private Ledger, but from that point onwards it becomes a memorandum book, to which, for subsequent purposes, no reference is necessary. No. 6, the Transfer Book, although sometimes found useful, need not actually be used at all.

A few preliminary remarks now become necessary with regard to each of the books.

(1.) *The Cash Book.*

The form of the cash book brings us at once to the much-discussed question of the separate banking account, that is to say whether the solicitor should keep one banking account in which all moneys which he receives, whether belonging to himself or to clients, should be mixed together, or two accounts, in which clients' moneys are kept separate from his own. We do not propose to discuss this question beyond mentioning one or two facts which appear to be beyond controversy. First of all, there is no doubt that with a single banking account the solicitor can if he wishes, by means of a daily record of clients' moneys, keep himself informed how much of the money standing to his credit belongs to clients and how much to himself. Again, the separate account system, though it may prevent the solicitor from inadvertently making an improper use of his clients' money, will not prevent him from wilfully doing so. As opinions seem to differ on the question how far the

separate account system involves additional labour and expense, we refrain from expressing any, but we take it to be admitted that an innocent confusion (if such a thing is ever possible) as to the ownership of the money at the Bank is less likely to arise where the separate account is employed than where it is not, and for this and the further reason that most, if not all, of what we are about to say can be easily adapted to the single account system, we will proceed upon the assumption that the separate account system ought always to be employed. It need hardly be remarked that in no circumstances is it permissible to apply money belonging to one client for the purposes of another, or, in other words, to make a payment out of the clients' banking account without first seeing that a sufficient part of the balance standing to the credit of that account belongs to the particular client on whose behalf the payment is made. An illustration of what is meant by this is given on p. 112.

We propose also to assume that all moneys received, from whatever source, will be paid into the Bank, and that this will be done daily with the exception of a few matters of trifling amount, of which the best example that occurs to us is receipts for copies of documents supplied, and which can be paid in weekly or at some other convenient and regular intervals, a separate record of all such receipts being of course kept in the meantime.

We can now refer to the illustration of the Cash Book given on p. 146, upon which the only remark that seems necessary at this stage is that in each pair of money columns on the "receipt" side the left-hand column contains details of all receipts which are collected in the right-hand column into a single total for each day, so that the figures in the latter column will agree item for item with the Bank pass-book.

(2.) *The Disbursement or Petty Cash Book.*

In the form of Disbursement or Petty Cash Book which we have selected for illustration (see p. 150), we have assumed that the disbursements made by each clerk in the office will be entered daily in detail, or, in other words, that the clerks' disbursement books throughout the office will be balanced by the cashier day by day (*a*). Column 1 will contain particulars of all cheques drawn either to supply the cash-box (under which head will fall cheques drawn for weekly salaries paid in cash) or to make disbursements chargeable against clients in their bills of costs (*b*). The amount of every payment will appear in column 5 and again in either 7, 9, or 11 according to the class to which it belongs. It has been assumed that it is unnecessary, so far as payments made through petty cash are concerned, to subdivide office expenses beyond the two heads of "Salaries" and "Miscellaneous," and also that there is no necessity for a separate column for disbursements on account of clients chargeable in the client's ledger account as distinguished from his bill of costs, such disbursements of small sums occurring so seldom that they can without any practical inconvenience be made through the main Cash Book and debited direct to the client's ledger account. The Petty Cash Book can of course if desired contain, in addition to those which we have illustrated, separate columns for Clients' Ledger items, stationery, postages, and as many other such matters as it may be considered convenient to distinguish.

Every day, or at some other regular periods, the bill-clerk must take the Petty Cash Book and enter every item

(*a*) An alternative system designed to avoid this necessity will be found described on p. 125.

(*b*) All such cheques will in the first instance be credited in the main Cash Book (No. 1 account) and debited to the Disbursements Account in the Private Ledger.

appearing in the clients' disbursements column in the appropriate draft bill (*c*), and if any copying has been done by a law stationer, he should deal similarly with the stationers' book at the same time. Cheques drawn for counsel's fees, deed stamps, and other clients' disbursements which may be of substantial amount, but are chargeable in bills of costs, must be entered in columns 1, 5, and 7, and will thus find their way into the draft bills.

At the end of each month the totals of columns 7, 9, and 11 can be credited to the disbursements account in the Private Ledger, and debited to accounts of "Clients' Disbursements," "Salaries," and "Miscellaneous Office Expenses" respectively. As will be seen from our illustration, the Clients' Disbursements Account will be found convenient to record for the purposes of the Profit and Loss Account estimated outstanding disbursements chargeable in bills of costs. But for this there would be no actual necessity to open such an account, as when all disbursements for salaries and miscellaneous office expenses have been transferred to separate accounts under those heads it follows that the balance remaining to the debit of the Disbursements (general) Account consists entirely of clients' disbursements. It is obvious that no item (not being an estimate) should ever be debited direct to this account without first passing through the Petty Cash Book, which alone can show that the item has been entered in the proper bill of costs.

The bill clerk, when entering each item in column 7 in the client's draft bill, should enter in column 6 the number of the bill, or at least some mark to show that the entry in the bill has been made. Columns 8 and 10 are not of much importance, and can quite well be omitted, but they afford a means of showing by the entry of the ledger folio

(*c*) See the observations on draft bills of costs, Chapter XIII.

that the item opposite to it (which will usually be only the monthly total) has been transferred to its proper destination.

It will be seen that the combined totals of columns 7, 9, and 11 must always (so long as there is no repayment of cash from the cash-box into the bank) be equal to the total of column 5, which, with the addition of the cash in the cash-box, must be equal to the total of column 1, and this in turn corresponds with the debit side of the Disbursements Account in the Private Ledger.

In our illustration on p. 150 we have not attempted to include anything like all the items which would probably occur in practice, but we have given some specimens which, we hope, will be sufficient to explain the working of the book. Most of these items do not require to be recorded in detail in any other book, and as they sufficiently explain themselves, they have not been mentioned in the list of transactions beginning on p. 105. The student is therefore advised to devote particular attention to pp. 150–153.

(3.) *The General or Clients' Ledger.*

The General, or Clients', Ledger contains, as its name suggests, the accounts of the various clients, and it may conveniently be confined to that purpose, all other ledger accounts being kept in the Private Ledger. Accordingly the only account which need appear in the General Ledger not under the name of a particular client will be a miscellaneous costs account. In this account will be recorded all sums charged and received for copies of documents supplied, and it may also be used to record costs charged against casual clients, for whom it is not worth while to open a separate ledger account, but such cases are not of frequent occurrence. In some offices charges for production of documents are recorded in this account, but it

seems preferable to record such items in the ledger account of the client to whom the deeds belong, and generally to use the miscellaneous account as little as possible, for the reason that if it is used to a large extent the trouble of finding any particular item in it may become appreciable.

(4.) *The Private Ledger.*

The Private Ledger will contain all the accounts not included in the General Ledger, and as many of these will be such as concern only the solicitor himself or the partners in the firm, the book will not be open to the inspection of the clerks in the office generally. An idea of the accounts usually to be found in the Private Ledger in the office of a firm of solicitors can be obtained from the index on p. 155, but of course the number of accounts required, and the title to be assigned to each, must depend on the circumstances of each case. Separate accounts may, if desired, be opened for such matters as rent, rates and taxes, insurance, stationery, postages, and a variety of others, all of which have, in our illustration, been included under the head of miscellaneous office expenses.

(5.) *The Bills Delivered Book.*

It will be seen that the form given on p. 181 contains, amongst others of a more obvious nature, columns to show (4) the folio in the General Ledger where each bill is debited to the client; (6) the serial number of the bill or page of the draft or press copy bill-book, according to the system adopted of preserving copies of bills delivered; and (8) the reference to the folio in the Cash Book where the payment of the bill is recorded. The "remarks" column may be found convenient to record such matters as payments on account. If desired column 5 can be split into two so as to distinguish between profit charges and

disbursements, but as the totals of clients' disbursements can always be ascertained from the Private Ledger, and the particulars in each case by reference to the draft bill, the distinction here seems hardly necessary.

As each bill is delivered to a client it is debited to the ledger account of the client, and entered in the Bills Delivered Book, the total of which, as will be seen, is subsequently transferred to the credit of the Costs Account in the Private Ledger, one of the principal objects in keeping a separate Bills Delivered Book being to prevent the Costs Account from becoming burdened with an inconveniently large number of items. When the bill is paid the client's cheque is debited in the Cash Book, and credited in the client's ledger account, and at the same time the date of payment and the reference to the folio in the Cash Book are entered in the Bills Delivered Book.

Where a bill is both delivered and paid within the same account period, if we may be allowed the use of that expression to signify the period—usually yearly or half-yearly—covered by a single profit and loss account, there is no actual necessity to debit the bill to the client's ledger account, and consequently, it may be, no necessity to open a ledger account for that particular client at all. In such a case the double entry is obtained by the bill being merely credited in the Bills Delivered Book and the amount, when received, debited in the Cash Book, the double entry remaining incomplete for so long as the bill remains owing. This, however, involves a departure from the useful rule of always making the debit entry before the credit entry, and it becomes impossible whenever the account period expires before the bill has been paid, as in that case the debit entry in the client's ledger account is required to complete the double entry, and may then have to be made out of its proper place. The extra

trouble of debiting every bill in the General Ledger at the time of delivery is not serious, and, for this and the other reasons indicated above, we think it the more satisfactory practice to adopt.

Sums received for copies supplied and other small matters payment for which is made in ready money, and for which no bill is delivered to a client, may or may not be recorded in the Bills Delivered Book, according to choice. The receipt, which will be debited in the Cash Book, can be balanced by a credit entry in either the Bills Delivered Book or in the Miscellaneous Costs Account in the General Ledger, but it is, in our opinion, preferable, and is in accordance with the system recommended above with regard to bills delivered to clients, that both of these channels should be used. Having regard to the small amount of the items, it will be convenient to group them together by entering them first in a separate book, and then transferring the totals at convenient periods, say fortnightly or monthly. Thus the periodical totals will be debited in the Miscellaneous Costs Account and credited in the Bills Delivered Book, and at the same time debited in the Cash Book and credited in the Miscellaneous Costs Account. In due course the entry in the Bills Delivered Book will pass on in the periodical total of that book to the credit of the Costs Account in the Private Ledger. If, as is most usual, a counterfoil memorandum book is kept for copies supplied, it will probably be found sufficiently convenient to group only the items in that book, and to deal with items of production of documents, etc., which are of less frequent occurrence, and not generally of such trifling amount, separately in the manner explained above as if each were the subject of a bill delivered to the client to whom the deeds produced belong.

So far the Bills Delivered Book has been regarded as

possessing only one (*i.e.*, a credit) side, from which periodical totals are transferred to the credit of the Costs Account in the Private Ledger, but it may also have a debit side (represented most conveniently by some pages reserved at the end of the book), in which abatements, allowances, and bad debts can be entered and carried from there, when the totals of the credit items are transferred to the credit of the Costs Account, to the debit of either the Costs Account or a separate Abatements, etc., Account, as may be preferred. Abatements and allowances being of comparatively rare occurrence, it may be preferred not to notice them in this book at all, but to debit them separately to either the Costs Account or to an Abatements, etc., Account, but in any case they must of course be credited to the clients' ledger account as and when made.

(6.) *The Transfer Book or Journal.*

As has been stated above, it is possible to dispense altogether with this book, a form of which is given on p. 183. There is no satisfactory hard-and-fast rule as to the extent to which it should be used, the opinions expressed by text-writers on the subject differing to the utmost extremes, for while some hold that the book is wholly unnecessary, others contend that every transaction should be recorded in it. Obviously either of these courses is possible, and the question whether either of them or some middle course should be adopted is one of convenience. Irrespective of the nature of the transaction to be recorded, it may often be found convenient at the moment to record any transaction in the Transfer Book which involves handling only one book rather than to post the debit and credit entries to two separate accounts, which often involves handling two books, but which must, in any case, be done sooner or later. It has been said that all

transactions not involving an entry in the Cash Book should be recorded in the Transfer Book, but there seems to be no logical foundation for any such rule, and certainly no reason why in such a set of books as that which we are considering any distinction should be made in this respect between the Cash Book and the Bills Delivered Book. In the specimen transactions given below we have endeavoured to show how the Transfer Book may be used to record all transactions not involving an entry in either of the two books just mentioned, and at the same time to show how the other books may be kept without any use of the Transfer Book at all, and for this purpose it will be seen that in the ledger-reference columns of the various books we have throughout ignored the existence of the Transfer Book, showing in every case where the Transfer Book is used the reference not to the Transfer Book, but to the account to which that book, if used, would refer us. We have also shown how transfers from one bank account to the other can be recorded in the Transfer Book, this being one of the purposes for which the book may be found most convenient. For those who insist upon the rule that no direct transfer from one ledger account to another is ever permissible the use of a Transfer Book is absolutely necessary, but not to any greater extent than that shown in our illustration on p. 183.

CHAPTER IX.

SPECIMEN TRANSACTIONS.

WE can now proceed to illustrate a set of specimen transactions such as might occur in a solicitor's business. We have not always found it easy to confine the occurrences within the bounds of reasonable probability, and in order to avoid irksome repetition we have so far as possible refrained from illustrating the same class of incident more than once. For example, we have shown only one payment of counsel's fees, though it is reasonable to suppose that in such a business as we have imagined several other such payments would have been necessary.

We have supposed that on 1st January, 1906, Mr. Senior (who has previously been practising alone) and Mr. Junior start business together under articles of partnership. Mr. Senior introduces two-thirds of the capital and receives two-thirds of the profits, while Mr. Junior introduces and receives the remaining one-third. The partners are entitled at the end of each month to draw on account of profits, Mr. Senior £40 and Mr. Junior £20 (*a*). The articles contain the usual provision for an annual account to be taken, but (and here we fear that we must ask the reader to make a considerable stretch of imagination) at the end of the first month the partners decide, for the purpose, let us suppose, of testing their knowledge of book-keeping, to make out an account so far as possible exactly on the lines which would have to be followed at the end of the first year.

(*a*) As will be explained later (see p. 132), the propriety of drawing on account of profits depends simply on the amount standing to the credit of the Solicitors' (No. 1) Account.

In the following list of specimen transactions and in the books to which it refers we have made use of the following abbreviations :—

B, meaning Bills Delivered Book.
C, „ Cash Book.
D, „ Disbursement or Petty Cash Book.
G, „ General or Clients' Ledger.
P, „ Private Ledger.
T, „ Transfer Book or Journal.

In practice the ledger reference column would, in references to the Cash Book and Bills Delivered Book, state the folio of the book containing the item, but we have contented ourselves by merely indicating the book in which the item will readily be found by reference to the date.

Illustrations of all the books showing the specimen transactions will be found in the Appendix, beginning on p. 145. As in Part I., the student should now proceed to satisfy himself that he can, without the assistance of the explanatory columns on the right of the transactions, correctly post each item to the proper accounts, bearing in mind as explained in Part I. that the tabular statement does not represent any book necessary for use in practice.

TRANSACTIONS OF MESSRS. SENIOR AND JUNIOR DURING THE MONTH OF JANUARY, 1906.

		£	s.	d.	*Account Debited.*	*Account Credited.*	*See also*
1906. Jan. 1.	Mr. Senior introduces cash capital.	1,000	0	0	C	P1	
„	Mr. Junior „ „ „ .	500	0	0	C	P2	
„	Mr. Senior provides office furniture, books, etc., worth . . .	400	0	0	P3	P1	T
„	Mr. Junior provides office furniture, books, etc., worth . . .	200	0	0	P3	P2	T

TRANSACTIONS OF MESSRS. SENIOR AND JUNIOR DURING THE MONTH OF JANUARY, 1906—*continued.*

				Account Debited.	*Account Credited.*	*See also*
1906.		£	*s.*	*d.*			
Jan. 1.	Bankers supply Cheque Book and charge in Pass Book . . .		10	0	P9	C	
,,	Cheque drawn for petty cash . .	50	0	0	P6	C	D
,,	Received of Major Junks for premium, stamps, etc., on his son's articles	395	15	0	C	G5	
,,	Paid stamps on articles and declarations	80	15	0	G5	C	
,,	Transfer to Articled Clerks' Premiums Account . . .	315	0	0	G5	P13	T
,,	Cash placed on deposit with bankers	1,000	0	0	P11	C	
Jan. 2.	Received of Lord Ulric Holborough to pay first instalment of estate duty on real estate . . .	2,345	0	0	C	G4	
Jan. 3.	Received proceeds of sale of 100 £10 preference shares in Speculation Mining Co., Ltd., belonging to Prince Romanoff's executors	994	19	0	C	G7	
,,	Transferred by direction of Prince Romanoff's executors to credit of Sir A. Forward legacy under Prince Romanoff's will (free of duty) . . . . . *Note.—See the remarks on this and similar transactions on p. 113.*	100	0	0	G7	G3	T
Jan. 4.	Produced deeds held on behalf of Lord U. Holborough to Messrs. Fox & Co., and charged fee .	2	2	0	G4	B	
,,	Received fee from Messrs. Fox & Co. for production of deeds . .	2	2	0	C	G4	
Jan. 5.	Paid by transfer in ledger accounts, by direction of Sir A. Forward, half-year's interest on £1,000 mortgage at 5 per cent. less tax due this day from Sir A. Forward to B. O. Switcham (both clients)	23	15	0	G3	G8	T
Jan. 6.	Received quarter's interest at 4 per cent. less tax on £20,000 mortgage of Stamford estate due 25th ult. to Evan Cottesmore . .	190	0	0	C	G2	

TRANSACTIONS OF MESSRS. SENIOR AND JUNIOR DURING THE MONTH OF JANUARY, 1906—*continued.*

		£	s.	d.	*Account Debited.*	*Account Credited.*	*See also*
1906.							
Jan. 6.	Paid Hon. Albert Laleham on account of residue under Prince Romanoff's will . . .	800	0	0	G7	C	
,,	Paid Messrs. Skipper & East for stationery	12	4	0	P9	C	
,,	Charged for copies supplied during week	2	6	8	G11	B	
,,	Received payment for same . .	2	6	8	C	G11	
,,	Cheque drawn for weekly salaries (A. £2 10*s.*; B. £2; C. £1 10*s.*; D. £1; E. 15*s.*; F. 10*s.*) . .	8	5	0	P6	C	D
Jan. 8.	Received of Evan Cottesmore to invest on mortgage of Loanford estate	4,850	0	0	C	G2	
Jan. 9.	Paid Commissioners of Inland Revenue first instalment of estate duty payable by Lord Ulric Holborough . . .	2,345	0	0	G4	C	
,,	Paid for stove for waiting-room .	2	10	0	P3	C	
Jan. 10.	Advanced to executors of J. Bendigo, deceased, at 4 per cent. interest, to pay estate duty on personal estate on grant of probate	300	0	0	G1	C	
Jan. 11.	Received of B. O. Switcham to advance to Sir A. Forward on mortgage.	2,000	0	0	C	G8	
Jan. 12.	Completed mortgage, Sir A. Forward to B. O. Switcham, by transfer in Ledger Accounts .	2,000	0	0	G8	G3	T
,,	Charged costs and disbursements .	60	0	0	G3	B	
,,	Paid same by transfer cheque in Cash Book	60	0	0	C	C	T
,,	Remitted Messrs. Barclay & Co., Gosling's branch, for credit of Sir A. Forward's account. .	2,000	0	0	G3	C	
Jan. 13.	Paid fees to Mr. Brabbitt, and clerk (Titchgoal *v.* Spender) .	9	16	6	P6	C	D

TRANSACTIONS OF MESSRS. SENIOR AND JUNIOR DURING THE MONTH OF JANUARY, 1906—*continued.*

		£	s.	d.	*Account Debited.*	*Account Credited.*	*See also*
1906.							
Jan. 13.	Charged for copies supplied during week	1	13	4	G11	B	
,,	Received payment for same .	1	13	4	C	G11	
,,	Cheque drawn for weekly salaries (as last week)	8	5	0	P6	C	D
Jan. 15.	Charged Messrs. Badger & Co. costs of lease of Dower House from Evan Cottesmore, Esq., including disbursements . .	11	15	0	G2	B	
,,	Received payment for same . .	11	15	0	C	G2	
Jan. 16.	Completed mortgage of Loanford estate for £5,000 at 3¾ per cent. to Evan Cottesmore, Esq., and paid mortgage money . .	5,000	0	0	G2	C	
,,	Charged costs and disbursements	86	5	0	G2	B	
,,	Received payment on completion	86	5	0	C	G2	
Jan. 17.	Paid Messrs. Skipper & East for printing forms of leases for Lord U. Holborough's Liverpool estate	42	0	0	P9	C	
Jan. 18.	Received of Messrs. Doone & Co. half-year's rent of Major Junks' collieries, due 25th ult. . .	1,520	5	0	C	G5	
,,	Charged our commission for management and collection, 4 per cent. on £1,520 5*s*. . .	60	16	0	G5	P12	T
,,	Paid same by transfer cheque in Cash Book	60	16	0	C	C	T
,,	Remitted Messrs. Barclay & Co., Ltd., Pall Mall East, for credit of Major Junks' account . .	1,400	0	0	G5	C	
Jan. 19.	Received of Messrs. Thomas Agnew & Son proceeds of sale of painting by Morland belonging to Capt. Lee Robertson .	5,000	0	0	C	G6	
Jan. 20.	Paid balance of £5,000 purchase-money and interest on completion of purchase by Capt. Lee Robertson of Bluck's farm .	4,512	5	4	G6	C	

TRANSACTIONS OF MESSRS. SENIOR AND JUNIOR DURING THE MONTH OF JANUARY, 1906—*continued.*

		£	s.	d.	*Account Debited.*	*Account Credited.*	*See also*
1906.							
Jan. 20.	Paid weekly salaries (A. £2 10s.; B. £2; C. £1 10s.; D. £1; E. 15s.; F. 10s.; G. 10s.) .	8	15	0	P6	C	D
,,	Paid stamp on conveyance to Capt. Lee Robertson . . .	25	0	0	P6	C	D
Jan. 22.	Cheque drawn for petty cash .	20	0	0	P6	C	D
,,	Delivered bill to B. O. Switcham	26	5	0	G8	B	
,,	Received of defendant's solicitors in settlement of action Titchgoal *v.* Spender, including costs agreed at £25	425	0	0	C	G9	
Jan. 23.	Delivered bill to F. Wentoff, Esq.	32	0	0	G10	B	
,,	Charged Messrs. Otter & Co. our costs of leases from Lord U. Holborough pursuant to building agreement.	63	0	0	G4	B	
,,	Received payment of same . .	63	0	0	C	G4	
Jan. 24.	Received of the Legal and General Assurance Office policy moneys on life of J. Bendigo, deceased .	10,000	0	0	C	G1	
,,	Remitted to credit of executors' account with Messrs. Barclay & Co., Ltd.	4,700	0	0	G1	C	
,,	Charged executors interest on loan of £300 for fourteen days at 4 per cent. less tax . . .	0	8	8	G1	P12	T
Jan. 25.	Delivered bill to Robert Titchgoal	37	5	0	G9	B	
,,	Sent Robert Titchgoal cheque to balance his account . . .	387	15	0	G9	C	
Jan. 26.	Charged Capt. Lee Robertson agreed commission on sale of picture	40	0	0	G6	P12	T
Jan. 27.	Allowed B. O. Switcham abatement on costs to balance his account	2	10	0	B	G8	
,,	Charged for copies supplied during fortnight	4	3	4	G11	B	

TRANSACTIONS OF MESSRS. SENIOR AND JUNIOR DURING THE MONTH OF JANUARY, 1906—*continued.*

				Account Debited.	Account Credited.	See also
1906.		£	s. d.			
Jan. 27.	Received payment for same. .	4	3 4	C	G11	
,,	Paid weekly salaries (as last week) out of cash in cash-box . .	8	15 0	—	—	D
Note.—It will be seen that in each of the previous weeks a cheque was drawn for the exact amount of the weekly salaries, while this item illustrates the alternative method of paying them from cash in hand without drawing a cheque for the amount. In practice it is better to adhere consistently to one or other of these two courses.						
Jan. 29.	Accepted composition of 10*s.* in the pound in respect of bill against F. Wentoff and received payment	16	0 0	C	G10	
,,	Wrote off balance as bad debt .	16	0 0	B	G10	
,,	Paid Messrs. Winchester & Co. for purchase on behalf of J. Bendigo's executors of £5,000 Middlehampton Corporation 3½ per cent. inscribed stock at 100 (free of stamp duty). £5,000 0 0 Brokerage, registration fee, and contract stamp . . 12 13 6	5,012	13 6	G1	C	
,,	Delivered our bill of costs and disbursements to Major Junks .	52	6 0	G5	B	
,,	Delivered our bill of costs and disbursements to Sir A. Forward	46	12 6	G3	B	
Jan. 30.	Delivered our bill of costs and disbursements to Lord Ulric Holborough	72	5 0	G4	B	
,,	Delivered our bill of costs and disbursements to Prince Romanoff's executors	51	9 0	G7	B	
Jan. 31.	Withdrew cash from deposit .	1,000	0 0	C	P11	
,,	Charged interest accrued thereon.	1	12 10	P11	P12	T

TRANSACTIONS OF MESSRS. SENIOR AND JUNIOR DURING THE MONTH OF JANUARY, 1906—*continued.*

		£	s.	d.	*Account debited.*	*Account credited.*	*See also*
1906.							
Jan. 31.	Received same	1	12	10	C	P11	
,,	Paid proportion of weekly salaries (as last week) from cash-box	4	7	6	—	—	D
,,	Charged for copies supplied 29th to 31st inst.	1	5	0	G11	B	
,,	Received payment for same	1	5	0	C	G11	
,,	Paid monthly salaries:						
	Mr. Hirst	25	0	0	P8	C	
	,, Hayward	25	0	0	P8	C	
	,, Rhodes	20	16	8	P8	C	
	,, Lilley	16	13	4	P8	C	
	,, Tyldesley	12	10	0	P8	C	
	,, Denton	12	10	0	P8	C	
	,, Arnold	8	6	8	P8	C	
,,	Mr. Senior draws on account of profits	40	0	0	P4	C	
,,	Mr. Junior ditto	20	0	0	P5	C	
,,	Transferred from No. 2 account to No. 1 account total of clients' moneys earned since 20th inst. as follows:—						
		£	s.	d.			
	B. O. Switcham, costs delivered 22nd January less abatement 27th January	23	15	0			
	J. Bendigo's executors on account of loan and interest to 24th January	287	6	6			
	R. Titchgoal, costs delivered 25th January	37	5	0			
	Capt. Lee Robertson, commission charged 26th January	40	0	0			
	Major Junks, costs delivered 29th January	52	6	0			
	Sir A. Forward on account of costs delivered 29th January	16	5	0			
	Prince Romanoff's executors, costs delivered 30th January	51	9	0			
		508	6	6	C	C	T

With regard to the last group of items, amounting to £508 6*s.* 6*d.*, it will have been observed that down to the 20th January it has been the practice to transfer clients' moneys earned by the firm from No. 2 account to No. 1 account separately as soon as the firm has become entitled to them. It is, however, sometimes preferred to transfer the totals of such moneys periodically, and we have accordingly here given an example of the latter practice (*a*). In order to understand the amounts of the items, reference should be made to the clients' ledger accounts, from which it will be seen that in the cases of Captain Lee Robertson, Major Junks, and Prince Romanoff's Executors, the credit balance is more than sufficient to discharge the debt due to the firm; in the cases of B. O. Switcham and R. Titchgoal (after taking into account the abatement allowed to the former) it is exactly sufficient; while in the cases of J. Bendigo's Executors and Sir A. Forward it is not sufficient to discharge the debt in full, and accordingly no more than the balance available can be taken on account. It is true that there is still a large balance to the credit of No. 2 banking account, but to draw upon this, irrespective of the share of it belonging to the particular client, cannot in any circumstances be allowed, as it would obviously destroy the whole value of the separate account system and amount to the same thing as drawing upon No. 2 account for the firm's own purposes. It will be seen that by transferring to their own account the whole amount owing from J. Bendigo's executors for loan and interest, as soon as the policy moneys were received on 24th January, the firm might have recovered the debt in full, but before making the transfer they have reduced the amount available for themselves by the payment made on 29th January, part of

(*a*) In any case it is obviously desirable to defer transferring the amount of a bill of costs until it has been either taxed or approved by the client.

which, if they had paid themselves in full, they would have had to provide from No. 1 account, pending the receipt of further money belonging to these clients.

Transfers from the ledger account of one client to that of another, examples of which are given under dates 3rd and 12th January, must, of course, not be made, except on the instructions of the client whose account is debited, as otherwise the firm may find itself personally liable for the amount involved. The method of posting these transactions may strike the reader at first sight as a violation of the rule that the "receiving" account should be debited and the "paying" account credited, but it must be borne in mind that the object of each ledger account is to show the state of affairs between the client and the firm, not between one client and the other. The effect of the transaction of 3rd January is that the firm relieves the executors of the liability to pay a legacy and consequently become entitled to retain the amount of the legacy and charge it to the executors' account exactly as if it were a debt paid on their behalf. Accordingly the executors' account is debited. On the other hand, the legatee becomes entitled to receive from the firm the amount of the legacy which must be credited to him, as if it were a debt recovered on his behalf.

CHAPTER X.

CLOSING ENTRIES AND TRIAL BALANCE.

WE have now illustrated all the firm's transactions during the month in the ordinary course of carrying on the business, and shown how the same should be recorded in the books. In order to carry out our intention of taking at the end of the month an account on the same footing as nearly as possible as the usual annual account, it becomes necessary, before proceeding to take out a trial balance, to make some further entries in the books known as "closing entries," and even to open some further accounts in the Private Ledger.

First of all we will pay into the Bank the money remaining in the cash-box, which we find amounts to £6 3*s.* 7*d.* This amount must be entered in column 5 of the Petty Cash Book, all the columns of which will then be cast. If no mistake has been made, the total of column 5 will now be equal to that of column 1. The £6 3*s.* 7*d.* must be debited to No. 1 account in the Cash Book and credited to the Disbursements Account in the Private Ledger, and the totals of columns 7, 9, and 11 in the Petty Cash Book carried into the Private Ledger, where they will be debited to Clients' Disbursements, Salaries, and Miscellaneous Office Expenses respectively, and all three credited to the Disbursements Account. This disposes of the Petty Cash Book, to which it will not be necessary to refer again, a complete summary of its contents having been transferred to the Private Ledger.

The money columns of the Cash Book and of each account

in the General Ledger can now be cast, and the totals noted in pencil inside the narrative column. In our illustrations here, as in Part I., we have shown this process by means of a dotted line, and total printed in small type.

Leaving the Private Ledger till the last, we proceed to dispose of the Bills Delivered Book, in much the same way as we did of the Petty Cash Book, by carrying the total of the first part of the book to the credit, and the total of the second part to the debit, of the Costs Account in the Private Ledger.

Our illustration of the Transfer Book, beginning on p. 183, will, we think, sufficiently explain itself. It will be found to record, with the exception of mere transfers of totals from memorandum books and transactions recorded in the Cash Book, all the closing entries described in this chapter, and the student should note carefully the form of all the entries in it.

Turning now to the Private Ledger, it is necessary to credit the account of each of the partners with one month's interest on his capital, in accordance with the articles of partnership, the two sums being first debited to the Interest Account (folio 12). This account in our illustration deals also with commissions, but separate accounts for these two matters could of course be opened if preferred. The Office Furniture Account is credited with depreciation at whatever rate the partners may have agreed upon as reasonable, the amount credited here being first debited to Miscellaneous Office Expenses. So far as concerns sums actually received and paid, this completes the entries necessary prior to the taking of the trial balance. It is, however, obvious that there must be some matters of both income and expenditure referable to the month under consideration, and which, although not yet realised or discharged, may nevertheless be ascertained more or less accurately by estimation, and

we have thought it better to defer taking the trial balance until these further matters have been ascertained and brought into account, in order that, so far as possible, the figures appearing in the Profit and Loss Account and Balance-sheet may be identical with those appearing in the trial balance. Otherwise there is no reason why the trial balance should not be taken at the present stage, which indeed, corresponds exactly with that at which it was taken in our example in Part I.; but, whereas in that case an alteration of the stage at which the books are to be balanced would make but little difference, here the difference would be considerable, for the reason that two more accounts have yet to be opened in the Private Ledger, and these will affect the balances of three of the existing accounts. We can, therefore, obtain a more exhaustive and satisfactory trial balance by deferring the process to a later stage.

The principal and most obvious source of unascertained income is naturally undelivered costs, the amount of which can, of course, be estimated only by going through every draft bill, and in doing this care should be taken not to over-estimate the amounts. A list of the bills, with the estimated totals to the end of the account period, can then be made out, and the aggregate total of this list will represent unrealised profits. On the other hand, it will usually be desirable to make some allowance for contingencies. For example, some of the bills may not be likely to be delivered for some time, and the client's circumstances may have changed meanwhile; or, again, an action may be brought involving so much of the client's fortune that it will be necessary to make some allowance if the action fails; and all such contingencies can be discounted more conveniently, and with less risk of confusion, by means of estimated abatements and allowances than by lowering the

original estimate of the amount of the bill. With regard, however, to bills actually delivered and unpaid, especially if of recent date, there is not usually so much occasion to anticipate allowances or abatements, as each bill is presumably delivered on the assumption that it will be paid in full. We will, nevertheless, assume that it is desirable to make some allowance for shortcomings in respect of bills delivered as well as in respect of those undelivered, thus making two separate items to be set against the gross estimated total of the undelivered bills. It will clearly be convenient to set these items out in the form of a single ledger account, so that the resulting balance may be added to the profits earned during the account period. We have accordingly done this on folio 14 of the Private Ledger, but it must be understood that the only item in this account which conforms to the rule of double entry by appearing in the books on both sides is the resulting balance of net profit, the other items being entered merely to show how the amount is arrived at. This resulting balance, amounting, according to our illustration, to £85, appears on the debit side of the account which we have entitled "Undelivered Costs and Abatements (Estimated)," and is transferred from there to the credit of the Costs Account. For the reason which we have just explained, the Undelivered Costs, etc., Account must be regarded for the purposes of the trial balance as containing only this single item, and it will be convenient to defer to a later stage (*a*) our explanation of the description applied in the narrative column to the corresponding item which appears on the credit side of the Costs Account.

Undischarged liabilities will usually consist partly of liabilities incurred on behalf of clients, as, for example, counsel's fees, and partly of office expenses. The amount

(*a*) See pp. 120, 121.

of the former must be estimated in much the same way as that of the undelivered bills of costs, but it is hardly necessary to adopt a similar method of recording the particulars of which the total is composed. As regards office expenses, we have taken a couple of simple examples, apportioned, of course, to the account period, but which are not intended to be taken as exhaustive. We then open on folio 15 of the Private Ledger another account, which we entitle "Undischarged Liabilities (Estimated)," and enter the estimated items on the debit side of the account, grouping together the two different classes of items, if there be more than one of each, so that the totals will correspond with the entries which we are about to make opposite. As in the case of the Undelivered Costs, etc., Account, for the purposes of the trial balance these estimated items must be ignored, and the account regarded as if it contained only the items which will appear in another account as well. In this account it is unlikely that there will be any estimated items to be brought in on the credit side, which will accordingly contain only the total of the estimated clients' disbursements transferred to the debit of the Clients' Disbursements Account and the total of the estimated office expenses, which, having regard to the nature of the examples which we have selected, must be transferred to the debit of the Miscellaneous Office Expenses Account. In making the debit entries in each of the two last-mentioned accounts, we will again defer, for the present, our explanation of the description which we insert in the narrative column (*b*).

The trial balance can now be taken out in exactly the same way as is explained in Part I., Chapter II., but we should, perhaps, here repeat that where an account is found to balance itself, that is where the totals of the items on the

(*b*) See p. 121.

debit and credit sides respectively are equal, the total may be inserted at once at the foot of each column, the account being then regarded as closed, and ignored for the purpose of the trial balance.

In our illustrations of the accounts we have again inserted the dotted line to show the stage which has now been reached, and the totals which will appear in the trial balance. The trial balance itself is shown on p. 187. By dividing it into sections, as illustrated, and comparing the balances resulting from the "totals" and "balances" columns respectively, the trouble arising from any error in casting will be slightly mitigated by the shortening of the columns to be recast.

It must not be understood that because for the purposes of the Profit and Loss Account and Balance-sheet a trial balance must be taken at the end of each account period that is the only occasion on which a trial balance can or ought to be taken. The test can be applied at any time, and it will generally be found convenient to apply it, if not once a month, at least once a quarter, and of course correct forthwith any errors which it may bring to light.

CHAPTER XI.

THE PROFIT AND LOSS ACCOUNT AND BALANCE-SHEET.

WE can now proceed on the lines indicated above in Chapter III. to separate the items in the trial balance, which are to be transferred direct to the Balance-sheet, from those which are to pass through the Profit and Loss Account, and the result will be seen on referring to the specimen Profit and Loss Account and Balance-sheet on pp. 178–180. It will be convenient for purposes of reference to assume that the Profit and Loss Account will ultimately be copied into the Private Ledger on folio 16.

Turning, then, to the accounts in the Private Ledger the balances of which will make up the Profit and Loss Account, we will take first the Costs Account, on the credit side of which we find the amount of the balance transferred from the Undelivered Costs and Abatements Account. With regard to this item, two things are clear: firstly, it must be taken into account in order to arrive at the profit earned during the month, and, secondly, in the next ensuing account it must not be credited over again, so as to represent the profit as having been earned twice over. In our opinion, the neatest method of effecting these two objects is first of all to balance the account, then transfer the credit balance to the Profit and Loss Account as "profit," and then treat the item representing the balance of the Undelivered Costs, etc., Account as a balance to be carried forward to the debit of the fresh account. For this purpose it will be convenient to describe the item in the narrative column as "balance carried down, being estimated undelivered

costs, etc.," and the account can then be closed and the balance carried down accordingly. It will be observed that this process corresponds closely with that which we adopted in closing the Goods Account in Part I. (p. 26), and just as we saw there that the item "Stock in trade in hand" represented not only a profit made, but also an asset acquired, so the item with which we are now dealing must also appear as an asset in the Balance-sheet.

In closing the Clients' Disbursements and Miscellaneous Office Expenses Accounts, beyond referring the reader to the illustrations it is only necessary to say that in each case, inasmuch as we have now to deal with a loss or liability instead of a profit or asset, the process adopted is the exact converse of that which we have just described.

Dealing with the Articled Clerks' Premiums Account, we have presumed that the clerk, having taken a university degree, was articled for a period of only three years. It is believed to be the practice in some offices to treat the premium as having been entirely earned on the day on which it was paid, and in others to treat it as being earned during the earlier half or some other portion of the period in which the clerk has most to learn, and is supposed to give most trouble. We have treated the premium as being apportionable evenly over the whole period of three years, so that one-thirty-sixth part of it represents profit earned during the first month, and is transferable to the Profit and Loss Account accordingly, the balance being carried forward to the fresh account for the next account period.

It may be asked why the balances of the partners' drawing accounts are not carried into the Profit and Loss Account, instead of being shown in the Balance-sheet as deductions from the profit earned. The reason is, of course, that the object of the Profit and Loss Account is to show the total profit earned during the account period

irrespective of the partners' drawings against it, which are not, like the other items to be found on the debit side of the Profit and Loss Account, outgoings incurred for the purpose of carrying on the business. Consequently it is the common practice to deal with these matters in the manner illustrated.

As we have just explained, the Balance-sheet will contain, in addition to the balances of the various accounts which have not been included in the Profit and Loss Account, under the head of liabilities the undischarged liabilities, estimated at £48 4*s.* 6*d.*, and under the head of assets the balance of the Undelivered Costs, etc., Account, estimated at £85. By the light of the foregoing remarks, taken in conjunction with those which we have made on the same subjects in Part I., Chapter III., we can now construct the Profit and Loss Account and Balance-sheet, as shown on pp. 178-180.

CHAPTER XII.

THE BOOKS RECONSIDERED.

HAVING now indicated the uses of the various books, it will be convenient to make a few further remarks upon some of them and incidentally to deal with some of the many possible variations of the system illustrated above which in particular circumstances it may be found expedient to adopt.

(1.) *The Cash Book.*

Beginning with the Cash Book, our specimen of which is designed on the assumption that the separate banking account system will be adopted, in case it should be thought that the transfer of moneys from one account to the other involves additional outlay on cheque stamps, we should mention that such transactions can be effected by unstamped cheques, forms of which will be supplied by any of the leading bankers to their customers. What certainly does tend (though probably not often to an appreciable extent) to involve some additional expense in the way of cheque stamps is the rule which we have recommended of regularly paying all sums received into the Bank instead of retaining in hand so much as seems likely to be useful for the supply of the cash-box, and no doubt many solicitors refrain from adopting the rule on this ground alone. Although its effects can hardly in ordinary practices be worth considering, this disadvantage undeniably exists, but in our opinion more than sufficient compensation is to be found in the greatly increased facility with which any attempt at fraud may be detected and innocent confusion avoided. For those who are determined not to pay into

the Bank all money received, the form of cash book which we have illustrated will not be available without the addition of two more money columns on the credit side to show the disposal of cash which has not been paid into the Bank, and such practitioners may prefer to adopt the system which we are just about to mention.

Undoubtedly the simplest form of cash book is that given as a cash account in Part I. (p. 14). The use of this form does not preclude the adoption of the separate banking account system, as it is only necessary to open two bank accounts instead of the single one illustrated in Part I. and keep one for the solicitor's own moneys and the other for those belonging to clients. This system obviously involves a considerable sacrifice of neatness, inasmuch as three separate accounts are necessary in place of the single Cash Book. On the other hand, in a small business at all events, it might be possible to dispense with a petty cash book, using only the Cash Book to record all disbursements. The bank accounts can be included in the ledger if desired, but accountants generally insist upon making the cash account the subject of a Cash Book separate from the ledger.

Another form of cash book which is sometimes adopted is designed by means of additional columns to record on the debit side abatements and allowances off bills of costs, and on the credit side to classify the payments as in the Petty Cash Book which we have illustrated on p. 150, so that periodical totals may be posted to the various ledger accounts instead of separate items. In our experience the payments made through the main Cash Book are not usually so small as to render any appreciable advantage obtainable by such classification, and abatements and allowances are certainly not frequent enough to render necessary any such provision for recording them.

(2.) *The Petty Cash Book.*

As we have already pointed out on p. 96, the form of petty cash book which we have illustrated requires that all disbursements made throughout the office should be entered in the book by the cashier daily, an arrangement which may perhaps sometimes be found inconvenient. This inconvenience may be avoided by a system in which again we find conciseness sacrificed to simplicity, but which is probably the most common in use. This consists of a main petty cash book in the form of an ordinary ledger account kept by the cashier, each of the clerks who require cash for petty disbursements keeping a separate clerk's disbursement book. The cashier when drawing a cheque to provide cash for "office bag" enters the cheque on the credit side of the Cash Book (No. 1 account) and on the debit side of the Disbursements Account in the Private Ledger, and he deals similarly with all cheques drawn for payments which will ultimately be included in clients' bills of costs, as, *e.g.*, counsel's fees (*a*), deed stamps, etc. Cheques drawn for office expenses, as, *e.g.*, stationery, need not pass through the Petty Cash Book at all, but may as well be posted direct from the Cash Book to the proper account in the Private Ledger.

On the credit side of the main Petty Cash Book the cashier will enter (1) all cash payments made by himself otherwise than as advances to other clerks in the office, (2) all sums of cash advanced to clerks for them to disburse, (3) all cheques drawn for clients' disbursements which will ultimately be included in bills of costs, and (4) the totals of the weekly salaries which will be paid in cash.

(*a*) Some authorities say that counsel's fees should not be paid through petty cash at all, but posted to a separate ledger account of counsel's fees. One objection to this is that either the account must be kept in the General or Clients' Ledger, which most solicitors prefer to keep exclusively for clients' accounts, or the bill clerk must have access to the Private Ledger in order to transfer the items in the Counsel's Fees Account to the draft bills of costs.

As regards the first of these four classes of items, no further entry will be made at present. Nos. 2 and 3 will be entered on the debit side of the clerk's disbursement book kept by the clerk who receives the cash or cheque, as the case may be. And, as regards No. 4, the salary of each clerk who keeps a disbursement book and receives his salary weekly in cash may be passed through his disbursement book or not, as may be preferred.

Each clerk's disbursement book will, of course, show on the debit side all sums of cash and cheques received, and on the credit side how the same have been paid away or earned in respect of salary, overtime, or otherwise, with the name of client and matter in the case of disbursements for clients, and such books should be checked by the cashier weekly or oftener if preferred.

It is necessary, according to this system, to keep what, for want of a better term, we may call a disbursement ledger. This consists of a separate list of payments made on behalf of each client and in respect of each distinct matter, and separate accounts of payments made for office expenses, which may be split up into as many subdivisions as may be desired. For purposes of convenience, we will assume, as before, that "Salaries" and "Miscellaneous Office Expenses" will be considered sufficient distinctions, though of course, any number of others, such as "Postages," "Stationery" and the like, may be adopted. The cashier keeps this book and sees that, as each clerk's disbursement book is brought to him to be checked, each disbursement is entered in the proper Disbursement Ledger Account and marked with the folio in the Disbursement Ledger, and at the same time he will deal similarly with his own disbursements, comprised in head (1) above, and also with those comprised in head (4) (Weekly Salaries), where not passed through the clerks' disbursement books.

The Disbursement Ledger, so far as it deals with disbursements to be included in clients' bills of costs, consists usually, as stated above, of mere lists of payments, with only one money column, and not in the form of a debtor and creditor account, a vertical line being drawn through each item as it is entered in the client's bill, but the Office Expenses Account should be in the usual ledger form, with debit and credit sides, the detailed lists of payments appearing on the debit side, and the monthly totals when transferred, as mentioned below, on the credit side.

At regular intervals, say at the end of each week or fortnight, the bill clerk goes through all the clients' accounts in the Disbursement Ledger, and enters each item in the appropriate draft bill, and the bill clerk is responsible to see that no bill is ever delivered without first having had every client's disbursement entered in it. In the same way the bill clerk sees that all items charged in the Stationer's Book are periodically entered in the draft bills. Thus the clients' disbursements are posted not from the main Petty Cash Book (except so far as they are made by the cashier himself), but from the clerks' disbursement books, to the Disbursement Ledger, and from thence into the draft bills.

By this means all payments appearing on the credit side of the main Petty Cash Book will pass either directly or through the clerks' disbursement books into the Disbursement Ledger, where they will be split up into (1) clients' disbursements, which are subdivided again according to the different clients and matters, (2) salaries, and (3) other office disbursements, which may or may not be further subdivided. On the debit side of the main Petty Cash Book will appear any sums repaid by clerks out of cash advanced to them, and the balance should agree with the totals of (1) clients' disbursements, (2) salaries, and (3) other office expenses appearing in the Disbursement Ledger. Again,

the total of the items on the credit side of the main Petty Cash Book, added to the amount of cash in the cash-box, should agree with the total of the items debited to the Disbursement Account in the Private Ledger.

At the end of each month the totals of (2) salaries and (3) other office expenses in the Disbursement Ledger are transferred to the Private Ledger by crediting them to the Disbursements Account and debiting them to the accounts of salaries and other office expenses respectively.

This system has the disadvantage of involving the use of a disbursement ledger (although the form of it is very simple), and also, but this in common with all the simpler systems, that of not showing on the face of the main Petty Cash Book the disposal of the cash advanced by the cashier to clerks, but it avoids the inconvenience of the clerks' disbursement books having to be checked and balanced by the cashier day by day.

Forms of petty cash books have been designed to show the disposal of cash advanced by the cashier to clerks for petty disbursements, but none of them, so far as we know, have succeeded in doing so in full detail. All that they do is to ensure that at the end of each week or other convenient period when the clerks account to the cashier for the advances which they have received there are no unsettled advances or, rather, the amount of the balance remaining in the hands of each clerk is ascertained and recorded. The amounts credited to the clerks are merely the periodical totals of their disbursements, which may be divided into office expenses and payments on account of clients, and it would be practically impossible to do more, unless the cashier had a daily settlement with each clerk, without sacrificing the chronological order of the disbursements entered to the credit of the clerks. Accordingly, the disbursements credited to the clerks not being entered in the

petty cash book in detail, it is still necessary for the disbursements on account of clients to be entered in the draft bills of costs direct from the clerks' disbursement books, and therefore, so far as the preparation of bills is concerned, no advantage is gained by the fact that the disposal of moneys advanced to clerks is shown on the face of the petty cash book. The system, however, presents the advantage that the cash can always be checked down to a reasonably recent date from an inspection of the petty cash book alone. If the cashier has a daily settlement with each clerk there is, of course, nothing to be gained by using a petty cash book in this form, as the form which we have illustrated in the Appendix effects the desired result.

It will be seen that in none of the systems which we have described does the Petty Cash Book form part of the double-entry system except as a memorandum book.

(3.) *The General or Clients' Ledger.*

In both ledgers, but perhaps more particularly in this, the practice of "lettering off" corresponding items on the two sides of the account, that is, identifying them by corresponding letters of the alphabet, is frequently found convenient in practice. For example, in account 5 (p. 160) we find that the first two items on the debit side, together amounting to £395 15*s.*, show the disposal of the single item of the same amount on the credit side. If at the end of the description of each of these three items in the narrative column we add (preferably in red ink) the letter "(a)," the connection between them will at once be made apparent, and the advantage of this practice would be increased if there had been, as often happens in practice, more than two items on the debit side to be so marked and other items intervening between them.

(4.) *The Private Ledger.*

Coming to the Private Ledger, it is the practice in many offices not to credit the Office Furniture, etc., Account with any item in respect of depreciation, and, on the other hand, not to debit it with any such items as repairs and renewals of furniture, subscriptions to law reports, and other additions to the library, all of which should of course be debited if depreciation is credited, the assumption being that the expenditure roughly compensates for depreciation. According to this plan, such expenditure is merely included in the amount of miscellaneous office expenses, like stationery or coals. In the circumstances assumed in our illustration on p. 168 the result would be the same whichever plan is adopted, and for all ordinary purposes the simpler plan will probably be found sufficiently accurate.

The method which we have adopted of dealing with the estimates of unascertained profits and losses combines the advantages of showing all necessary details of which the estimated totals are composed, enabling the accounts at a reasonably early date to be closed and signed by the partners as correct in accordance with the common-form provision usually included in the articles of partnership, and ensuring that the anticipated income and expenditure are carried forward to the next account to be set off against the actual results subsequently realised. The means by which the last-mentioned object is effected in the Costs, Clients' Disbursements, and Miscellaneous Office Expenses Accounts may possibly be considered open to objection on the ground that the item carried down as a balance to the next ensuing account is not a true balance, inasmuch as the amount of it does not depend on the total of the items on the opposite side of the account. This is at the best a purely technical objection, and in our opinion the advantage of carrying forward the amount to be

brought into the next account in such a way that it cannot be overlooked affords a conclusive answer. A possible alternative is to treat the accounts which we have just mentioned as closed and carry forward the balance of the estimated profits and losses to the next Profit and Loss Account, but inasmuch as this in practice will probably not be opened until the closing of the books for the next account period, the only difference seems to be an increased risk of the matter being overlooked.

It is obviously impossible to arrive at the exact results of the business for any period until every bill of costs has been paid and every liability discharged. Taxations of costs payable out of funds in court extending over a period of several years are, as we all know, of common occurrence, and one such taxation outstanding would be sufficient to prevent the final closing of the books except to some extent upon the basis of estimates. It is, however, naturally desirable that the estimated items should be as few as possible, and it is also obvious that by waiting until a bill is paid the accuracy of the estimate of its amount may be assured. In practice it will probably be found convenient to defer making out the annual accounts for signature by the partners until about a year after the end of the account period, by which time the bulk of the estimates will really be founded on ascertained facts. It may be asked why, if a liability has been discharged or an asset realised before the accounts are in fact closed, it should not be included in the accounts as an actual payment or receipt. The answer is that each set of accounts deals only with receipts and payments actually made during the account period, and any attempt to include in it items belonging to another period can hardly fail to produce intolerable confusion.

So long as the accounts contain any items really dependent upon estimates, it is obvious that the true result when

ascertained must be slightly different from that shown by the accounts. If the estimates have been made without undue optimism, the former will show a balance of profit in excess of the latter, and in practice it is usual to treat the difference as profit earned during the period in which the true results have been ascertained, and thus leave the signed accounts undisturbed.

It is said that some solicitors prefer to confine their accounts to actual receipts and payments, and to ignore all unrealised income and undischarged outgoings. It is obvious that such a course must to some extent misrepresent the results really obtained, and it is submitted that it is also contrary to the true construction of the common form of clause relating to annual accounts to be found in most precedents of partnership articles. The objection to bringing unascertained matters into account has been attributed to the desire to avoid drawing against anticipated profits, but there is no connection whatever between these two things. The only amount that can ever be available to be drawn out as profits is that standing to the credit of No. 1 banking account, or, if the separate account system is not adopted, to the credit of the single account, after deducting all moneys not belonging to the solicitor, and this amount cannot be affected by any computations of unascertained income or outgoings. If no such computation is made, the more probable result is no doubt to belittle rather than to exaggerate the profits, but it may be to exaggerate them, if liabilities of substantial amount are outstanding and disregarded.

Although some text-writers recommend accounts of "Bills Payable" and "Bills Receivable" in the Private Ledger, we see no necessity for any such accounts to appear in a solicitor's books. As regards bills receivable, it no doubt becomes necessary from time to time in almost

every practice to make an advance to a client, and it may be convenient to take an acknowledgment in the form of a bill of exchange or promissory note, but in the vast majority of practices such transactions are not of sufficiently frequent occurrence to require any special ledger accounts to be opened. We have in our illustrations (see the transaction of 10th January) given an example of a loan to a client which might have been the subject of a bill or note, and in some respects an even better example is afforded by the deposit with the firm's bankers on 1st January. A separate deposit account is opened in connection with the latter transaction merely because it cannot be recorded in any client's ledger account, as a loan to a client could, and the former example shows all the entries that would be necessary in connection with a loan to a client secured by a bill or note.

As regards "Bills Payable," it is to be hoped that if the solicitor borrows money, whether on the security of bills or notes or otherwise, his transactions of this kind will be few, and here again we do not see that there can be any necessity to open any account beyond one with the lender of the money, of which we need only say that the Deposit Account will afford a converse example.

As our illustrations do not show the division of any profits during the account period beyond the monthly drawings of the partners, we have added on p. 188 an example based on the assumption that the Profit and Loss Account will be made out immediately on the conclusion of the account period, and the balance of profit divided between the partners directly afterwards. Of course, what really happens in practice is that the partners from time to time withdraw from No. 1 banking account the surplus available, always leaving undrawn an amount sufficient for working capital.

(5.) *The Bills Delivered Book*

may be made either more or less elaborate than the form which we have illustrated, as indicated in Chapter V. above.

(6.) *The Transfer Book.*

As we have already remarked, there is no real necessity for a transfer book in a solicitor's office at all. We have, however, given an illustration, beginning on p. 183, of such a book, recording such of the transactions in our tabular list, and also of those in connection with the closing of the accounts, as would usually appear in the Transfer Book, if one were used. The student should observe carefully the closing entries under date 31st January.

The Transfer Book is often found convenient in connection with what is called the "opening" of a set of books, as, for example, where a man who has been carrying on business alone takes another into partnership, the assets and liabilities of either or both being taken over by the new firm. Although, in the profession of the law, it is more usual for the new partnership to start with a clean sheet, as in the case which forms the subject of our illustration, and in which, of course, each partner would receive the assets and discharge the liabilities appertaining to his practice previous to the partnership, there is no reason why the alternative plan which we have just mentioned should not be adopted instead. By way of illustration we will suppose that Mr. Senior, who has been practising alone, has agreed to take Mr. Junior into partnership as from 1st July, the new firm taking over Mr. Senior's assets and liabilities, and no further capital being brought in by Mr. Senior. We will then suppose that Mr. Senior's assets and liabilities on 30th June were identical with the total assets and liabilities set out in the balance- heet illustrated on p. 180, stopping,

of course, at "Articled Clerks' Premium Account" on the liabilities side. Mr. Senior's capital would consist of the excess of his assets over his liabilities, and his capital account in the books of the new firm would be opened by means of the following entries in the Transfer Book :—

		£ s. d.	£ s. d.
July 1. Sundries, *Dr.*			
To Mr. Senior's capital account			3,311 9 5
Assets on this date, viz. :			
Cash at Bank, No. 1 account .	C	1,972 7 1	
,, ,, No. 2 account'.	C	538 7 8	
Balance due from J. Bendigo's executors	G1	13 2 2	
Balance due from Sir A. Forward, Bart. . . .	G3	30 7 6	
Balance due from Lord U. Holborough . . .	G4	72 5 0	
Undelivered costs, etc., estimated at	P10	85 0 0	
Office furniture, books, etc. .	P3	600 0 0	
July 1. Mr. Senior's capital account, *Dr.*		892 17 2	
To sundries :—			
Liabilities on this date, viz. :			
Balance due to Evan Cottesmore, Esq. . . .	G2		40 0 0
Balance due to Major Arthur Junks	G5		7 3 0
Balance due to Capt. Lee Robertson	G6		447 14 8
Balance due to Prince Romanoff's executors .	G7		43 10 0
Undischarged liabilities :			
Clts' Disbts. . £26 2 0	P7		
Misc. Off. Exs. . £22 2 6	P9		48 4 6
Articled Clerks' Premium Account	P13		306 5 0

Mr. Senior's capital account in the Private Ledger could then be opened with the following entries :—

			£	s.	d.
Debit side :—					
July 1. To sundries	T		892	17	2
Credit side :—					
July 1. By sundries	T		3,311	9	5

the page of the Transfer Book being, of course, entered in the reference column. Mr. Senior would then have introduced capital amounting to £2,418 12*s.* 3*d.*, and each of the accounts referred to in the entries in the Transfer Book would be opened with a balance item of the amount specified. If Mr. Junior's assets and liabilities were also to be taken over by the new firm, an exactly similar course would be followed with regard to them, and the amount of his capital ascertained accordingly.

It can hardly be necessary to observe that where the new firm does not take over the assets of any partner who has been practising previously all bills of costs extending back beyond the first day of the partnership must be apportioned to that day. In our illustration given in the Appendix we have assumed that this has been done.

CHAPTER XIII.

DRAFT BILLS OF COSTS.

ALTHOUGH it is not, strictly speaking, a matter of book-keeping, it may not be out of place to offer here a few remarks upon the various systems of making out bills of costs.

The first which we will mention is believed to be the oldest system now to be found in use, and is, as may be expected, extremely cumbrous, requiring a large expenditure of stationery and labour. It consists in the first place of a day-book, or rather a set of three day-books—in large offices a separate set for each department—containing sheets of plain foolscap with a margin on the left-hand side only. It is the duty of one of the clerks to set apart what he considers a sufficient number of pages for each day's work, writing the date at the top of the page, and to enter beforehand the appointments for each day, with the name of the client in the margin and the name of the matter to the right of it, thus (taking an agency case as an example) :—

Monday, 1st January, 1906.

Huntsman & Co.	Fox *v.* Badger. Attending court on trial of action.

At the end of each day the managing clerk will add what took place at the trial and the fee to be charged, *e.g.*, "Dismissed with costs—*£2 2s.*" Similarly each clerk will enter particulars of all work done by him in the course of each day in the same book until the end of the week.

While Day-book No. 1 is being used in this way, No. 2, which was being similarly used the week before, is in the hands of a clerk whose duty it is to go through the letter books and insert entries giving the effect of each letter written during the week, and No. 3, which has passed through these two processes, has reached the last stage, in which the posting clerk transfers all the items in it, and also all items from the Stationer's Book and Petty Cash Book which are capable of being included in bills of costs, to another book called the Posting Book, in which the items are rearranged according to the different clients and matters. Finally, from the Posting Book the bill clerk, or preferably the managing clerk, who has done the work, makes out the draft bill, which may or may not involve much more than mere copying. This system, the disadvantages of which are many and obvious, would hardly seem to deserve mention except for its undoubted antiquity and the fact that it is still used in some of the largest London agency offices.

The modern tendency certainly seems to be to go to the opposite extreme and confine mere transcription within the narrowest limits. The most popular system of this kind seems to consist of sheets with date-margin on the left, and two money columns on the right, either loose or bound in a book perforated at the inside edge so as to tear out easily when required, the object in the latter case being to avoid the risk of loose sheets being mislaid. According to this plan each partner and managing clerk at frequent intervals, preferably every day, either himself or through the medium of a shorthand clerk, enters on the sheets (a separate set of sheets being, of course, set apart for each client and matter) each item of work done by him, including particulars of letters written and disbursements chargeable in bills of costs. If this is done with reasonable care and forethought,

the result is that the sheets form a draft bill of costs which requires very little settling before being copied for delivery. If the sheets are originally in a book, they are torn out when the bill is required to be settled, and, whether originally bound or not, they can if desired be bound together into draft bill books after being copied for delivery. Of course, it is often found when settling a draft bill that some omitted items have to be inserted, and in view of this it is the practice in many offices to use a fresh sheet for each day, and in some even for each item, the sheets used in the latter case being of small size to avoid waste of paper. On the other hand, if each sheet is filled with items, a small space being left between each, and an item has to be inserted for which there is not sufficient room, in order to avoid any recopying the sheet can be torn in two, and a fresh sheet inserted between the two pieces. This, the most economical, plan does not admit of the draft bills being neatly bound into books, but if each bill is merely clipped together at the corner like a brief it does not lead to any very serious inconvenience. In any case, of course, it is necessary to confine the writing to one side of the paper.

Some protection against the risk of losing sheets and a great convenience in cases where the bill is not required to be delivered to the client as a whole (*e.g.*, where part is recoverable from an opponent on taxation) may be secured by having all the sheets typewritten in duplicate, so that if one copy is settled for taxation, or sections of it taken out for delivery to the person liable to pay, there is still a complete record left of the whole work done, and with which it may ultimately be necessary to charge the client.

It is important that an index of all bills should be kept, and that if the bills are kept separately, and not bound into books, each bill should be marked with a serial number

corresponding with the index. So long as the drafts are methodically preserved there is no necessity to keep press copies of the bills delivered, although to do so involves but little additional trouble or expense and may often prove a source of convenience.

CHAPTER XIV.

BOOKS OF ACCOUNT AS EVIDENCE IN LEGAL PROCEEDINGS.

In view of the numerous cases, both civil and criminal, in which entries made in books of account play an important part, it may not be out of place to consider to what extent these entries are admissible as evidence.

As is well known, evidence is divided into two classes, primary and secondary, the former being the highest kind of which the nature of the case admits, and the latter including all that falls short of that standard. This rule applies to entries in books of account.

As between an original writing and a copy of the same the former is the best or primary evidence, and the latter merely secondary evidence. In many cases entries in a ledger are only copies, made, it may be, after some considerable interval, of some previous original entries in day-books or waste books.

It is a rule of law that the best or primary evidence must in all cases be produced if it is in the possession or power of the party upon whom the onus of proof lies, but if it is proved that this cannot be done, then secondary evidence of any kind can be adduced. There are no degrees of secondary evidence, and consequently so far as mere admissibility is concerned a "press" or machine-made copy is no better than any other.

The limitations placed by the law on the admissibility of books of account became of less practical importance

after the passing of the Evidence Acts of the last century. The advantage derivable from the production of books of account could be obtained by calling a witness and allowing him to use his books to refresh his memory from the entries. But the question as to what is the original entry is nevertheless still important, inasmuch as the general rule is that a witness can only refresh his memory from a writing if it was made at the time of the fact or so soon afterwards as to be free from all doubt that the fact was then fresh in his memory, and if it is a mere copy that the witness proposes to use to refresh his memory, it must be proved that the copy was made either by the witness himself or by some other person in his presence, or at least in such a manner that he can swear to its accuracy. And such copy cannot be used for this purpose unless the absence of the original is duly accounted for.

The laws of some foreign countries allow tradesmen's books to be received as evidence, but in this country the cases in which such evidence is admissible are very few. At one time, however, these books appear to have been generally admissible in evidence, for the Act 7 Jac. I. c. 12 (which is still unrepealed) provides that shop books shall not be receivable as evidence of a debt more than a year old. This statute recited that divers handicraftsmen keeping shop books demanded debts unduly increased, or which after payment remained "uncrossed" or undischarged, and that executors were often "enforced to pay the same debts again," but it contained a proviso that it was not to extend to traffic between merchant and merchant, merchant and tradesman, or tradesman and tradesman.

Books of account are admissible as evidence in but few cases. The principal instances, according to Taylor on Evidence, 10th edition, sect. 812, are books of account

kept between master and servant, tradesman and shopman, banker and customer, or co-partners, any of which are occasionally admissible in evidence even in favour of the party by whom the entries were made provided the opposite party has had ample opportunities of testing the accuracy of the entries. And by the Rules of the Supreme Court, Order XXXIII., rule 3, the rigidity of the rules of evidence may be relaxed to some extent in cases where an account has to be taken by the Court. Also it is provided by the Bankers' Books Evidence Act, 1879, sect. 3, that, upon certain conditions, a copy of any entry in a banker's book (which term includes ledgers, day-books, cash books, account books, and all other books used in the ordinary business of the bank) shall be received in legal proceedings as *prima facie* evidence of such entry, but such copies of entries are admissible in evidence only if and so far as the entries themselves would be admissible (*South Staffordshire Tramways Co.* v. *Ebbsmith* [1895], 2 Q. B. D. 669; *Pollock* v. *Garle* [1898], 1 Ch. 1).

The evidence from books of account is regarded as of a weak and dangerous nature, and there is no analogy between the usual entries made in such books and the entries made by a deceased clerk or servant in his lifetime and in the ordinary routine of his work, the latter of which after the death of the clerk or servant are admissible in evidence (*Price* v. *Torrington* (1703), 1 Smith's Leading Cases, 352).

There is, however, very little authority to show what the law looks upon as the original entry in books of account. A case in point is *Burton* v. *Plummer* (1834), 2 Adolphus & Ellis, 341. In this case the plaintiff's clerk was called to prove the order and delivery of certain goods, and he sought to refresh his memory by the aid of some entries in a ledger recording trade transactions which had been noted

by the clerk in a waste book as they occurred, and from day to day copied by the plaintiff in the presence of the clerk into the ledger, each entry being at the same time checked by the clerk. The ledger was held to be an original instrument, and the witness was accordingly allowed to refresh his memory thereby without accounting for the absence of the waste book. Although the writing in this case was used merely for the purpose of refreshing the memory of the witness, Patteson, J., held in the same case that the rule that the best (*i.e.*, primary) evidence must be produced precludes the witness from refreshing his memory with a copy of an instrument which might itself be used for refreshing his memory as much as it precludes the admission in evidence of the copy of an instrument which would be evidence in itself. Consequently it would appear that in this case the ledger would have been admissible as an original instrument if the books themselves had been admissible in evidence.

APPENDIX.

INDEX.

	PAGE
(1) Cash Book (C)	146
(2) Disbursement or Petty Cash Book (D)	150
(3) General or Clients' Ledger (G)	155
(4) Private Ledger (P)	167
(5) Bills Delivered Book (B)	181
(6) Transfer Book or Journal (T)	183
(7) Trial Balance	187
(8) Division of Profits	188

C—CAS

DR. RECEIPTS.

1	2	3	4	5	6	7	8
Date.	Client or Matter.	Particulars.	Ledger Folio.	Solicitors' No. 1 A/c. Cash.	Solicitors' No. 1 A/c. Bank.	Clients' No. 2 A/c. Cash.	Clients' No. 2 A/c. Bank.
				£ s. d.	£ s. d	£ s. d.	£ s.
1906. Jan. 1	Mr. Senior	Of you, capital introduced. . . .	P1	1,000 0 0			
,,	Mr. Junior	Of you, capital introduced. . . .	P2	500 0 0			
,,	Major Junks	Of you, premium and stamp, etc., on your son's articles . .	G5	395 15 0			
					1,895 15 0		
Jan. 2	Lord Ulric Holborough	Of you, to pay estate duty	G4				2,345 0
Jan. 3	Prince Romanoff's Executors	Of Messrs. Winchester & Co., stockbrokers, proceeds of sale of 100 £10 preference shares in Speculation Mining Co., Ltd., at par, less commission and contract stamp (£5 15s.) .	G7				994 19
Jan. 4	Lord Ulric Holborough	Of Messrs. Fox & Co., for production of deeds	G4		2 2 0		
Jan. 6	E. Cottesmore, Esq.	Of Messrs. Thatcher & Co., quarter's interest at 4 per cent. less tax on £20,000 mortgage of Stamford estate, due 25th ult. . .	G2				190 0
,,	Miscellaneous	Copies supplied during week	G11		2 6 8		
Jan. 8	E. Cottesmore, Esq.	Of you, to invest on mortgage . . .	G2				4,850
Jan. 11	B. O. Switcham, Esq.	Of you, to invest on mortgage by Sir A. Forward . . .	G8				2,000
Jan. 12	Sir A. Forward	Our costs of mortgage to B. O. Switcham, transferred contra (a)	T		60 0 0		
Jan. 13	Miscellaneous	Copies supplied during week	G11		1 13 4		
Jan. 15	E. Cottesmore, Esq.	Of Messrs. Badger & Co., costs of lease of Dower House . .	G2		11 15 0		
Jan. 16	E. Cottesmore, Esq.	Of Messrs. Terrier & Co., costs of mortgage of Loanford estate .	G2		86 5 0		
		Carried forward .			2,059 17 0		10,379

BOOK.—C

PAYMENTS. CR.

1	2	3	4	5	6
Date.	Client or Matter.	Particulars.	Ledger Folio.	Solicitors' No. 1 A/c.	Clients' No. 2 A/c.
				£ s. d.	£ s. d.
1906. Jan. 1	Miscellaneous Office Expenses	Cheque book	P9	10 0	
,,	Disbursements	Petty cash (office bag)	P6	50 0 0	
,,	Major Junks	Stamp, etc., on Mr. G. H. Junks' articles	G5	80 15 0	
,,	Deposit	Cash placed on deposit with bankers	P11	1,000 0 0	
Jan. 6	Prince Romanoff's Executors	Hon. Albert Laleham on account of residue	G7		800 0 0
,,	Miscellaneous Office Expenses	Messrs. Skipper & East, stationery supplied	P9	12 4 0	
,,	Disbursements	Petty cash—weekly salaries	P6	8 5 0	
Jan. 9	Lord Ulric Holborough	Commissioners of Inland Revenue, first instalment of estate duty on real estate	G4		2,345 0 0
,,	Office Furniture	Messrs. Iremonger & Co., stove for waiting-room	P3	2 10 0	
Jan. 10	J. Bendigo's Executors	Commissioners of Inland Revenue, estate duty on probate affidavit	G1	300 0 0	
an. 12	Sir A. Forward	Messrs. Barclay & Co., Ltd., Gosling's branch for credit of your account	G3		2,000 0 0
,,	,, ,,	Our costs of mortgage to B. O. Switcham, transferred contra (a)	T		60 0 0
Jan. 13	Disbursements	Fees to Mr. Brabbett and clerk	P6	9 16 6	
,,	,,	Petty cash—weekly salaries	P6	8 5 0	
Jan. 16	E. Cottesmore, Esq.	Messrs. Terrier & Co., mortgage money on completion of mortgage	G2		5,000 0 0
Jan. 17	Miscellaneous Office Expenses	Messrs. Skipper & East, printing	P9	42 0 0	
		Carried forward		1,514 5 6	10,205 0 0

L 2

C—CAS

DR. RECEIPTS.

1	2	3	4	5	6	7	8
Date.	Client or Matter.	Particulars.	Ledger Folio.	Solicitors' No. 1 A/c.		Clients' No. 2 A/c.	
				Cash.	Bank.	Cash.	Bank.
1906.				£.	£ s. d.	£ s. d.	£ s.
		Brought forward .			2,059 17 0		10,379 19
Jan. 18	Major Junks	Of Messrs. Doone & Co., half-year's rents of collieries . .	G5				1,520 5
,,	,, ,,	Our commission thereon transferred contra (b) . . .	T		60 16 0		
Jan. 19	Capt. Lee Robertson	Of Messrs. Thos. Agnew & Son, proceeds of sale of picture .	G6				5,000 0
Jan. 22	Robert Titchgoal	Of Messrs. Pointer & Co., in settlement of action, Titchgoal *v.* Spender . . .	G9				425 0
Jan. 23	Lord Ulric Holborough	Of Messrs. Otter & Co., costs of leases pursuant to building agreement . . .	G4		63 0 0		
Jan. 24	J. Bendigo's Executors	Of Legal and General Assurance Office, policy moneys on deceased's life . .	G1				10,000 0
Jan. 27	Miscellaneous	Copies supplied during fortnight . . .	G11		4 3 4		
Jan. 29	F. Wentoff .	Of you, composition of 10*s.* in the pound on our bill of costs . .	G10		16 0 0		
Jan. 31	Deposit .	Cash withdrawn from deposit at bankers .	P11		1,000 0 0		
,,	,,	Interest allowed thereon	P11		1 12 10		
,,	Miscellaneous	Copies supplied to end of month . . .	G11		1 5 0		
,,	—	Total of clients' moneys earned since 18th inst. transferred contra (c)	T		508 6 6		
,,	Office . .	Petty cash balance .	P6		6 3 7		
		..... *No. 1 A/c. £3,721 4s. 3d.; No. 2 A/c. £27,325 4s.*			3,721 4 3		27,325 4
,		Balances brought down.			1,972 7 1		538 7

BOOK.—C

Continued. PAYMENTS. CR.

1	2	3	4	5	6
Date.	Client or Matter.	Particulars.	Ledger Folio.	Solicitors' No. 1 A/c.	Clients' No. 2 A/c.
1906.				£ s. d.	£ s. d.
		Brought forward . . .		1,514 5 6	10,205 0 0
Jan. 18	Major Junks . .	Our commission on half-year's colliery rents due 25th ult., 4 per cent. on £1,520 5s., transferred contra (b) . . .	T		60 16 0
,,	,, ,, . .	Messrs. Barclay & Co., Ltd., Pall Mall East, for credit of your account	G5		1,400 0 0
Jan. 20	Capt. Lee Robertson	Balance purchase-money and interest on completion of purchase of Bluck's Farm	G6		4,512 5 4
,,	Disbursements .	Petty cash—Stamp on conveyance	P6	25 0 0	
,,	,, .	,, weekly salaries . .	P6	8 15 0	
Jan. 22	,, .	,, office bag . . .	P6	20 0 0	
Jan. 24	J. Bendigo's Executors	Messrs. Barclay & Co., for credit of executors' account . . .	G1		4,700 0 0
Jan. 25	Robert Titchgoal .	Cash remitted to you . . .	G9		387 15 0
Jan. 29	J. Bendigo's Executors	Messrs. Winchester & Co., for purchase of £5,000 Middlehampton Corporation 3½ per cent. Stock at 100, including brokerage, etc.	G1		5,012 13 9
Jan. 31	Salaries . . .	Monthly salaries—Mr. Hirst .	P8	25 0 0	
,,	,, . . .	,, ,, Hayward .	P8	25 0 0	
,,	,, . . .	,, ,, Rhodes .	P8	20 16 8	
,,	,, . . .	,, ,, Lilley .	P8	16 13 4	
,,	,, . . .	,, ,, Tyldesley	P8	12 10 0	
,,	,, . . .	,, ,, Denton .	P8	12 10 0	
,,	,, . . .	,, ,, Arnold .	P8	8 6 8	
,,	Mr. Senior .	Monthly drawing	P4	40 0 0	
,,	Mr. Junior . .	,, ,, ...	P5	20 0 0	
,,	——	Total of clients' moneys earned since 18th inst., transferred contra (c)	T		508 6 6
		..... *No. 1 A/c. £1,748 17s. 2d.; No. 2 A/c. £26,786 16s. 4d.*			
,,		Balances carried down . . .		1,972 7 1	538 7 8
				3,721 4 3	27,325 4 0

D—DISBURSEMENT OR

1	2	3	4
Receipts.	Date.	Client or Matter.	Particulars.
£ s. d.	1906.		
50 0 0	Jan. 1	Office	Office bag . . . . .
	,,	,,	Postage and receipt stamps . . .
	,,	,,	Two tons coal . . . . .
	,,	Titchgoal *v.* Spender	Issuing writ . . . . .
	Jan. 2	Switcham *v.* Bosanquet	Paid for copy affidavit of defendant, folio 20 . . . . .
	Jan. 3	Lord U. Holborough	Expenses to Liverpool and back . .
	,,	Switcham *v.* Bosanquet	Oath and two exhibits, affidavit of plaintiff . . . . .
	,,	,,	Filing affidavit of plaintiff . . .
	Jan. 4	Titchgoal *v.* Spender	Stamp on summons for directions . .
8 5 0	Jan. 6	Office	Weekly salaries—A. £2 10*s.*; B. £2; C. £1 10*s.*; D. £1; E. 15*s.*; F. 10*s.* . . . .
	Jan. 10	J. Bendigo, deceased	Court and other fees on grant of probate . . . . .
	Jan. 12	Sir A. Forward	Stamp on mortgage to B. O. Switcham . . . . .
9 16 6	Jan. 13	Titchgoal *v.* Spender	Fee to Mr. Brabbett and clerk to advise . . . . .
	,,	,,	Fee to Mr. Brabbett and clerk to settle draft statement of claim . .
8 5 0	,,	Office	Weekly salaries (as last week) . .
	Jan. 15	,,	Stationer—amount as shown by his book . . . . .
	,,	E. Cottesmore, Esq.	Stamps on lease of Dower House and counterpart . . . .
76 6 6			Carried forward . .

PETTY CASH BOOK.—D

5	6	7	8	9	10	11
Payments.	Number of Bill.	Clients' Disbursements	Ledger Folio.	Salaries.	Ledger Folio.	Miscellaneous Office Expenses.
£ s. d.		£ s. d.		£ s. d.		£ s. d.
..						
.. 5 0 0						5 0 0
.. 3 16 0						3 16 0
.. 0 10 0		0 10 0				
.. 0 6 8		0 6 8				
.. 9 6 0		9 6 0				
.. 0 3 6		0 3 6				
.. 0 2 6		0 2 6				
.. 0 10 0		0 10 0				
.. 8 5 0				8 5 0		
.. 7 19 0		7 19 0				
.. 2 10 0		2 10 0				
.. 5 10 0		5 10 0				
.. 4 6 6		4 6 6				
.. 8 5 0				8 5 0		
.. 3 2 6						3 2 6
.. 1 15 0		1 15 0				
61 7 8		32 19 2		16 10 0		11 18 6

D—DISBURSEMENT OR

1			2	3	4
Receipts.			Date.	Client or Matter.	Particulars.
£	s.	d.	1906.		
76	6	6			Brought forward . . . ..
			Jan. 16	E. Cottesmore, Esq.	Stamp on mortgage of Loanford estate . . . .
25	0	0	Jan. 20	Capt. Lee Robertson	Stamps on conveyance of Bluck's farm . . . .
8	15	0	,,	Office	Weekly salaries—A. £2 10s.; B. £2; C. £1 10s.; D. £1; E. 15s.; F. 10s.; G. 10s. . . ..
20	0	0	Jan. 22	,,	Office bag . . . .
			Jan. 27	,,	Weekly salaries (as last week) . ..
			Jan. 31	,,	Proportion of ditto to date . . ..
			,,	,,	Stationer, as shown by his book to date . . . .
			,,	,,	Balance paid into Bank . . . ..
130	1	6			

PETTY CASH BOOK.—D

Continued.

	5			6	7			8	9			10	11		
	Payments.			Number of Bill.	Clients' Disbursements.			Ledger Folio.	Salaries.			Ledger Folio.	Miscellaneous Office Expenses.		
	£	s.	d.		£	s.	d.		£	s.	d.		£	s.	d.
..	61	7	8		32	19	2		16	10	0		11	18	6
..	6	5	0		6	5	0								
..	25	0	0		25	0	0								
..	8	15	0						8	15	0				
..															
..	8	15	0						8	15	0				
..	4	7	6						4	7	6				
..	9	7	9										9	7	9
..	6	3	7												
	130	1	6		64	4	2	P8	38	7	6	P9	21	6	3

G.—GENERAL OR CLIENTS' LEDGER.

INDEX.

Title of Account.	Number of Folio.
Bendigo, J., Executors of	1
Cottesmore, Evan, Esq.	2
Forward, Sir Auburn, Bart.	3
Holborough, Lord Ulric	4
Junks, Major Arthur	5
Robertson, Capt. Lee	6
Romanoff, Prince, Executors of	7
Switcham, B. O., Esq.	8
Titchgoal, Robert, Esq.	9
Wentoff, F., Esq.	10
Miscellaneous	11

1——EXECUTORS OF JAMES

DR.

1906.			£ s. d.
Jan. 10	To Cash—Commissioners of Inland Revenue, estate duty on personal estate . . .	C	300 0 0
Jan. 24	,, ,, Messrs. Barclay & Co. for credit of your account .	C	4,700 0 0
,,	,, Interest on loan of £300, fourteen days at 4 per cent., less tax .	P12	8 8
Jan. 29	,, Cash—Messrs. Winchester & Co., for purchase of £5,000 Middlehampton 3½ per cent. Inscribed Stock at 100 (including brokerage £12 10*s.*, registration fee 2*s.* 6*d.*, and contract stamp 1*s.*) £10,013 2 2	C	5,012 13 6
			10,013 2 2
Feb. 1	,, Balance brought down		13 2 2

2——EVAN COT

DR.

1906.			£ s. d.
Jan. 15	To our costs and disbursements re lease of Dower House	B	11 15 0
Jan. 16	,, Cash advanced on mortgage of Loanford estate	C	5,000 0 0
,,	,, our costs and disbursements re mortgage of Loanford estate £5,098 0 0	B	86 5 0
Jan. 31	,, Balance carried down		40 0 0
			5,138 0 0

BENDIGO, Esq., deceased.—**1**

Cr.

1906.			£ s. d.
Jan. 24	By Cash—Legal and General, etc., Office, policy moneys on deceased's life	C	10,000 0 0
	£10,000 0 0		
Jan. 31	,, Balance carried down		13 2 2
			10,013 2 2

TESMORE, Esq.—**2**

Cr.

1906.			£ s. d.
Jan. 6	By Cash of Messrs. Thatcher & Co., quarter's interest at 4 per cent. less tax on £20,000 mortgage of Stamford estate due 25th ult. . . .	C	190 0 0
Jan. 8	,, ,, of you, to invest on mortgage . .	C	4,850 0 0
Jan. 15	,, ,, of Messrs. Badger & Co., costs of lease of Dower House . . .	C	11 15 0
Jan. 16	,, ,, of Messrs. Terrier & Co., costs of mortgage of Loanford estate . .	C	86 5 0
	£5,138 0 0		
			5,138 0 0
Feb. 1	,, Balance brought down		40 0 0

3—Sir AUBURN

Dr.

1906.			£ s. d.
Jan. 5	To half-year's interest at 5 per cent. less tax on £1,000 due this day to B. O. Switcham, Esq., transferred . . .	G8	23 15 0
Jan. 12	,, our costs and disbursements re mortgage of £2,000 to B. O. Switcham, Esq. . .	B	60 0 0
,,	,, Cash, Messrs. Barclay & Co., Ltd., Gosling's Branch, for credit of your account.	C	2,000 0 0
Jan. 29	,, our costs and disbursements in various matters	B	46 12 6
	£2,130 7 6		2,130 7 6
Feb. 1	,, Balance brought down		30 7 6

4—Lord ULRIC

Dr.

1906.			£ s. d.
Jan. 4	To our costs of producing deeds to Messrs. Fox & Co.	B	2 2 0
Jan. 9	,, Cash, Commissioners of Inland Revenue, first instalment of estate duty on real estate	C	2,345 0 0
Jan. 23	,, our costs and disbursements re leases granted pursuant to building agreement	B	63 0 0
Jan. 30	,, our costs and disbursements in various matters	B	72 5 0
	£2,482 7 0		2,482 7 0
Feb. 1.	,, Balance brought down		72 5 0

FORWARD, BART.—**3**

CR.

1906.			£ s. d
Jan. 3.	By Legacy transferred from Prince Romanoff's executors	G7	100 0 0
Jan. 12	,, Transfer from B. O. Switcham, Esq., advance on mortgage of reversionary interest, etc., at 5 per cent. interest .	G8	2,000 0 0
	£2,100 0 0		
Jan. 31	,, Balance carried down		30 7 6
			2,130 7 6

HOLBOROUGH.—**4**

CR.

1906.			£ s. d.
Jan. 2	By Cash of you, to pay estate duty . .	C	2,345 0 0
Jan. 4	,, ,, of Messrs. Fox & Co., for our costs of production of deeds . . .	C	2 2 0
Jan. 23	,, ,, of Messrs. Otter & Co., costs of leases granted pursuant to building agreement	C	63 0 0
	£2,410 2 0		
Jan. 31	,, Balance carried down		72 5 0
			2,482 7 0

5—Major ARTHUR

Dr.

1906.			£ s. d.
Jan. 1	To Cash—Stamps on Mr. G. H. Junks' articles and declarations . . .	C	80 15 0
,,	,, transfer to Articled Clerks' Premiums Account	P13	315 0 0
Jan. 18	,, our commission for management and collection of colliery rents, etc., 4 per cent. on £1,520 5s.	P12	60 16 0
,,	,, Messrs. Barclay & Co., Pall Mall East, for credit of your account . . .	C	1,400 0 0
Jan. 29	,, our costs and disbursements in various matters	B	52 6 0
	..... £1,908 17 0		
Jan. 31	,, Balance carried down		7 3 0
			1,916 0 0

6—Captain LEE

Dr.

1906.			£ s. d.
Jan. 20	To Cash—Messrs. Beagle & Co., balance of purchase-money of Bluck's farm and interest	C	4,512 5 4
Jan. 26	,, our commission on sale of picture . .	P12	40 0 0
	..... £4,552 5 4		
Jan. 31	,, Balance carried down		447 14 8
			5,000 0 0

JUNKS.—5

Cr.

1906.			£ s. d.
Jan. 1	By Cash of you, premium and stamps on Mr. G. H. Junks' articles, etc. . .	C	395 15 0
Jan. 18	,, ,, of Messrs. Doone & Co., half-year's rents, etc., of collieries, due 25th ult.	C	1,520 5 0
	£1,916 0 0		1,916 0 0
Feb. 1	,, Balance brought down		7 3 0

ROBERTSON.—6

Cr.

1906.			£ s. d.
Jan. 19	By Cash of Messrs. Thos. Agnew & Sons, proceeds of sale of painting by Morland	C	5,000 0 0
	£5,000 0 0		5,000 0 0
Feb. 1	,, Balance brought down		447 14 8

7—Executors of Prince

Dr.

1906.			£ s. d.
Jan. 3	To Transfer to Sir A. Forward, legacy . .	G3	100 0 0
Jan. 6	,, Cash: Hon. Albert Laleham, on account of residue	C	800 0 0
Jan. 30	,, our costs and disbursements of executorship	B	51 9 0
	£951 9 0		
Jan. 31	,, Balance carried down		43 10 0
			994 19 0

8—B. O.

Dr.

1906.			£ s. d.
Jan. 12	To Transfer to Sir A. Forward, advance on mortgage of reversionary interest, etc., at 5 per cent. interest . . .	G3	2,000 0 0
Jan. 22	,, our costs and disbursements in various matters	B	26 5 0
	£2,026 5 0		
			2,026 5 0

9—Robert

Dr.

1906.			£ s. d.
Jan. 25	To our bill of costs and disbursements in various matters	B	37 5 0
,,	,, Cash remitted you	C	387 15 0
	£425 0 0		
			425 0 0

ROMANOFF, DECEASED.—7

Cr.

1906.			£ s. d.
Jan. 3	By Cash of Messrs. Winchester & Co., proceeds of sale of 100 £10 preference shares in Speculation Mining Co., Ltd., at par, less commission and contract stamp (£5 1s.)	C	994 19 0
	£994 19 0		
			994 19 0
Feb. 1	,, Balance brought down		43 10 0

SWITCHAM, ESQ.—8

Cr.

1906.			£ s. d.
Jan. 5	By half-year's interest at 5 per cent. less tax on £1,000 due this day from Sir A. Forward, transferred	G3	23 15 0
Jan. 11	,, Cash of you to invest	C	2,000 0 0
Jan. 27	,, Abatement on costs	B	2 10 0
	£2,026 5 0		
			2,026 5 0

TITCHGOAL, ESQ.—9

Cr.

1906.			£ s. d.
Jan. 22	By cash of Messrs. Pointer & Co. in settlement of action Titchgoal *v.* Spender .	C	425 0 0
	£425 0 0		
			425 0 0

10—F.

Dr.

1906.			£ s. d.
Jan. 23	To our costs and disbursements in various matters	B	32 0 0
	£32 0 0		32 0 0

11—MISCELLANEOUS

Dr.

1906.			£ s. d.
Jan. 6	To charges for copies supplied during week .	B	2 6 8
Jan. 13	,, ,, ,, ,, ,, .	B	1 13 4
Jan. 27	,, ,, ,, ,, fortnight	B	4 3 4
Jan. 31	,, ,, ,, to end of month	B	1 5 0
	£9 8 4		9 8 4

WENTOFF, Esq.—**10**

Cr.

1906.			£ s. d.
Jan. 29	By Cash of you, composition of 10*s.* in the pound on our costs	C	16 0 0
,,	,, Abatement of balance of costs written off as bad debt	B	16 0 0
	£32 0 0		32 0 0

COSTS ACCOUNT.—**11**

Cr

1906.			£ s. d.
Jan. 6	By cash for copies supplied during week .	C	2 6 8
Jan. 13	,, ,, ,, ,, ,,	C	1 13 4
Jan. 27	,, ,, ,, ,, fortnight .	C	4 3 4
Jan. 31	,, ,, ,, to end of month	C	1 5 0
	£9 8 4		9 8 4

P—PRIVATE LEDGER.

INDEX.

Title of Account.	Number of Folio.
Mr. Senior's Capital	1
Mr. Junior's Capital	2
Office Furniture, Books, etc.	3
Mr. Senior's Drawings	4
Mr. Junior's Drawings	5
Disbursements (General)	6
Clients' Disbursements	7
Salaries	8
Miscellaneous Office Expenses	9
Costs	10
Deposit	11
Interest and Commissions	12
Articled Clerks' Premiums	13
Undelivered Costs and Abatements (Estimated)	14
Undischarged Liabilities (Estimated)	15
Profit and Loss Account	16
Balance-sheet	17

1—MR. SENIOR'S

DR.

1906.			£ s. d.
Jan. 31	To balance carried down		1,405 16 8
			1,405 16 8

2—MR. JUNIOR'S

DR.

1906.			£ s. d.
Jan. 31	To balance carried down		702 18 4
			702 18 4

3—OFFICE FURNITURE,

DR.

1906.			£ s. d.
Jan. 1	To Mr. Senior's capital account . . .	P1	400 0 0
,,	,, Mr. Junior's capital account . . .	P2	200 0 0
Jan. 9	,, Cash paid for stove for waiting-room. .	C	2 10 0
	£602 10 0		602 10 0
Feb. 1	,, Balance brought down . .		600 0 0

CAPITAL.—1

Cr.

1906.			£ s. d.
Jan. 1	By Cash	C	1,000 0 0
,,	,, Furniture, books, etc.	P3	400 0 0
Jan. 31	,, Interest on capital to date	P12	5 16 8
	£1,405 16 8		
			1,405 16 8
Feb. 1	,, Balance brought down		1,405 16 8

CAPITAL.—2

Cr

1906.			£ s. d.
Jan. 1	By Cash	C	500 0 0
,,	,, Furniture, books, etc.	P3	200 0 0
Jan. 31	,, Interest on capital to date	P12	2 18 4
	£702 18 4		
			702 18 4
Feb. 1	,, Balance brought down		702 18 4

BOOKS, Etc.—3

Cr.

1906.			£ s. d.
Jan. 31	By Depreciation of furniture, books, etc.	P9	2 10 0
	£2 10 0		
,,	,, Balance carried down		600 0 0
			602 10 0

4—Mr. SENIOR'S

Dr.

1906.			£ s. d.
Jan. 31	To cash	C	40 0 0
	£40 0 0		

5—Mr. JUNIOR'S

Dr.

1906.			£ s. d.
Jan. 31	To cash	C	20 0 0
	£20 0 0		

Note.—As accounts 4 *and* 5 *consist of only one item each, they have not been balanced. They will be found continued on p.* 188.

6—DISBURSEMENTS

Dr.

1906.			£ s. d.
Jan. 1	To Cash—Office bag	C	50 0 0
Jan. 6	,, Weekly salaries	C	8 5 0
Jan. 13	,, Titchgoal *v.* Spender—Mr. Brabbett's fees	C	9 16 6
,,	,, Weekly salaries	C	8 5 0
Jan. 20	,, ,, ,, ...	C	8 15 0
,,	,, Stamp on conveyance—Capt. Lee Robertson	C	25 0 0
Jan. 22	,, Office bag	C	20 0 0
	£130 1 6		
			130 1 6

DRAWINGS.—4

Cr.

1906.			£ s. d.

DRAWINGS.—5

Cr.

1906.			£ s. d.

(GENERAL).—6

Cr.

1906.			£ s. d.
Jan. 31.	By Cash—Petty cash balance paid into Bank.	C	6 3 7
,,	,, Clients' Disbursements, as shown by Petty Cash Book	P7	64 4 2
,,	,, Salaries (weekly) as shown by Petty Cash Book	P8	38 7 6
,,	,, Miscellaneous Office Expenses, as shown by Petty Cash Book	P9	21 6 3
	£130 1 6		130 1 6

7—CLIENTS

Dr.

1906.			£ s. d
Jan. 31.	To Sundry Payments, as shown by Petty Cash Book	P6	64 4 2
,,	,, Balance carried down, being estimated undischarged liabilities at this date . .	P15	26 2 0
	£90 6 2		90 6 2

8—SALA

Dr.

1906			£ s. d
Jan. 31.	To Cash—Monthly salaries :—		
	Mr. Hirst	C	25 0 0
	,, Hayward	C	25 0 0
	,, Rhodes	C	20 16 8
	,, Lilley	C	16 13 4
	,, Tyldesley	C	12 10 0
	,, Denton	C	12 10 0
	,, Arnold	C	8 6 8
,,	,, Weekly Salaries, as shown by Petty Cash Book	P6	38 7 6
	£159 4 2		159 4 2

DISBURSEMENTS.—7

Cr.

1906.			£	s.	d.
Jan. 31	By Transfer tc Profit and Loss Account .	P16	90	6	2
			90	6	2
Feb. 1	,, Balance brought down, being estimated undischarged liabilities at this date . .		26	2	0

RIES.—8

Cr.

1906.			£	s.	d.
Jan. 31	By Transfer to Profit and Loss Account .	P16	159	4	2
			159	4	2

9—MISCELLANEOUS

Dr.

1906.			£ s. d.
Jan. 1	To Cash, cheque stamps	C	10 0
Jan. 6	,, ,, Messrs. Skipper & East, stationery .	C	12 4 0
Jan. 17	,, ,, Messrs. Skipper & East, printing leases for Lord U. Holborough's estate	C	42 0 0
Jan. 31	,, Depreciation of office furniture, books, etc.	P3	2 10 0
,,	,, Sundry Payments, as shown by Petty Cash Book	P6	21 6 3
,,	,, Balance carried down, being estimated undischarged liabilities at this date . .	P15	22 2 6
	..... £100 12 9		100 12 9

10—CO

Dr.

1906.			£ s. d.
Jan. 31	To Abatements and allowances, as shown by Bills Delivered Book	B	18 10 0
	..... £18 10 0		
,,	,, Profit transferred to Profit and Loss Account	P16	617 2 10
			635 12 10
Feb. 1	,, Balance brought down, being estimated undelivered costs, etc., at this date .		85 0 0

OFFICE EXPENSES.—**9**

Cr.

1906.			£ s. d.
Jan. 31	By Transfer to Profit and Loss Account .	P16	100 12 9
			100 12 9
Feb. 1	„ Balance brought down, being estimated undischarged liabilities at this date .		22 2 6

STS.—**10**

Cr.

1906.			£ s. d.
Jan. 31	By Costs delivered, as shown by Bills Delivered Book	B	550 12 10
„	„ Balance carried down, being estimated undelivered costs, etc., at this date . .	P14	85 0 0
	£635 12 10		635 12 10

11—DE

DR.

1906.			£ s. d.
Jan. 1	To Cash placed on deposit at Bank . .	C	1,000 0 0
Jan. 31	,, Interest thereon	P12	1 12 10
	£1,001 12 10		
			1,001 12 10

Note.—If this account is used to record other investments of the firm's moneys, "Investments" or "Sundry Investments" will be a more appropriate title.

12—INTEREST AND

DR.

1906.			£ s. d.
Jan. 31	To Interest on Mr. Senior's capital—one month at 5 per cent.	P1	5 16 8
,,	,, the like on Mr. Junior's capital . .	P2	2 18 4
	£8 15 0		
,,	,, Balance transferred to Profit and Loss Account	P16	94 2 6
			102 17 6

13—ARTICLED CLERKS'

DR.

1906.			£ s. d.
Jan. 31	To Transfer to Profit and Loss Account, one thirty-sixth of premium . . .	P16	8 15 0
,,	,, Balance carried down . .		306 5 0
			315 0 0

POSIT.—11

Cr.

1906.			£ s. d.
Jan. 31	By Cash withdrawn from deposit . . .	C	1,000 0 0
,,	,, Interest thereon	C	1 12 10
	£1,001 12 10		
			1,001 12 10

COMMISSIONS.—12

R.

1906.			£ s. d.
Jan. 18	By Commission on Major Junks' colliery rents —4 per cent. on £1,520 5s. . . .	G5	60 16 0
Jan. 24	,, J. Bendigo's executors—interest on £300 loan for fourteen days at 4 per cent. less tax	G1	8 8
Jan. 26	,, Commission on sale of picture sold for Capt. Lee Robertson	G6	40 0 0
Jan. 31	,, Interest allowed on Bank deposit . .	P11	1 12 10
	£102 17 6		
			102 17 6

PREMIUMS.—13

Cr.

1906.			£ s. d.
Jan. 1	By Transfer from Major Junks' account—premium for three years . . .	G5	315 0 0
	£315 0 0		
			315 0 0
Feb. 1	,, Balance brought down		306 5 0

14—UNDELIVERED COSTS ANI

DR.

1906.			£ s. d.
Jan. 31	*To Estimated Abatements on costs delivered.*		*25 0 0*
,,	,, ,, ,, ,, ,, *undelivered*		*3 4 0*
,,	,, Balance transferred to Costs Account .	P10	85 0 0
	£85 0 0		
			113 4 0

Note.—*The italicised items in this and the next account must be disregarded for the purpose of the trial balance* (*see pp.* 117, 118).

15—UNDISCHARGED LIA

DR.

1906.			£ s. d.
Jan. 31	*To Counsel's fees and other clients' disbursements*		*26 2 0*
,,	,, *Proportion of rent for month—£20 0 0*		
,,	,, ,, ,, *gas* ,, ,, *2 2 6*		*22 2 6*
			48 4 6

16—PROFIT AND

for the month ending

DR.

1906.			£ s. d.
Jan. 31	To Clients' Disbursements	P7	90 6 2
,,	,, Salaries	P8	159 4 2
,,	,, Miscellaneous Office Expenses . . .	P9	100 12 9
,,	,, Balance, being profit for the month . .		369 17 3
			720 0 4

ABATEMENTS (ESTIMATED).—14

Cr.

1906.			£ s. d.
Jan. 31	*By estimated costs and disbursements owing by—*		
	J. Bendigo, deceased, Exors. of . .		*31 10 0*
	Evan Cottesmore, Esq. . . .		*10 10 0*
	Capt. Lee Robertson		*71 4 0*
			113 4 0

BILITIES (ESTIMATED).—15

Cr.

1906.			£ s. d.
Jan. 31	By Transfer to Clients' Disbursements Account	P7	26 2 0
,,	,, Transfer to Miscellaneous Office Expenses Account	P9	22 2 6
	£48 4 6		
			48 4 6

LOSS ACCOUNT.—16

31st January, 1906.

Cr.

1906.			£ s. d.
Jan. 31	By Costs Account	P10	617 2 10
,,	,, Interest and Commissions Account . .	P12	94 2 6
,,	,, Articled Clerks' Premiums Account. .	P13	8 15 0
			720 0 4
,,	,, Balance brought down		369 17 3

Dr. **17**—BALANCE-SHEET—31ST JANUARY, 1906.—**17** Cr.

LIABILITIES.		£ s. d.	£ s. d.
Balances due to clients :—			
Evan Cottesmere, Esq. . .	G2	40 0 0	
Major Arthur Junks . .	G5	7 3 0	
Capt. Lee Robertson . .	G6	447 14 8	
Prince Romanoff's Executors .	G7	43 10 0	
			538 7 8
Undischarged liabilities :—			
Clients' disbursements . .	P7	26 2 0	
Misc. Off. expenses . .	P9	22 2 6	
			48 4 6
Articled Clerks' Premium Account	P13		306 5 0
Mr. Senior's capital and interest thereon	P1		1,405 16 8
Mr. Junior's capital and interest thereon	P2		702 18 4
Profit, as shown by Profit and Loss Account . . .	P16	369 17 3	
Less drawings :—			
Mr. Senior . £40 0 0	P4		
Mr. Junior . £20 0 0	P5		
£60 0 0		60 0 0	
			309 17 3
			3,311 9 5

ASSETS.		£ s. d.	£ s. d.
Cash at Bank—No. 1 Account.	C		1,972 7 1
,, ,, No. 2 Account.	C		538 7 8
Balances due from clients :—			
James Bendigo, Esq.'s Executors	G1	13 2 2	
Sir Auburn Forward, Bart. .	G3	30 7 6	
Lord Ulric Holborough. .	G4	72 5 0	
			115 14 8
Undelivered costs, etc., estimated at	P10		85 0 0
Office furniture, books, etc., less amount written off for depreciation . . .	P3		600 0 0
			3,311 9 5

B——BILLS DELIVERED BOOK.——B

PART I.—BILLS DELIVERED.

1	2	3	4	5	6	7	8	9
Date of Delivery.	Client.	Description of Business.	Gen. Ledg. Folio.	Amount of Bill.	No. of Bill.	Date when paid.	Cash Book Folio.	REMARKS.
1906.				£ s. d.		1906.		
Jan. 4	Lord U. Holborough.	Deeds produced to Messrs. Fox & Co.	4	2 2 0		Jan. 4		
,, 6	Miscellaneous . .	Copies supplied during week .	11	2 6 8		,, 6		
,, 12	Sir A. Forward, Bart.	Mortgage to B. O. Switcham, £2,000.	3	60 0 0		,, 12		
,, 13	Miscellaneous . .	Copies supplied during week .	11	1 13 4		,, 13		
,, 15	E. Cottesmore, Esq. .	Lease of Dower House . .	2	11 15 0		,, 15		
,, 16	,, ,, .	Mortgage of Loanford estate .	2	86 5 0		,, 16		
,, 22	B. O. Switcham . .	Various matters . . .	8	26 5 0		,, 31		See abatement.
,, 23	F. Wentoff . . .	,, ,, . . .	10	32 0 0		,, 29		See allowance.
,, 23	Lord U. Holborough .	Leases pursuant to building agreement	4	63 0 0		,, 23		
,, 25	Robert Titchgoal .	Various matters . . .	9	37 5 0		,, 31		
,, 27	Miscellaneous . .	Copies supplied during fortnight	11	4 3 4		,, 27		
,, 29	Major A. Junks . .	Various matters . . .	5	52 6 0		,, 31		
,, 29	Sir A. Forward, Bart.	,, ,, . . .	3	46 12 6				£16 5s. 0d. paid on account, 31st Jan.
,, 30	Lord U. Holborough .	,, ,, . . .	4	72 5 0				
,, 30	Prince Romanoff's Executors . .	Executorship . . .	7	51 9 0		Jan. 31		
,, 31	Miscellaneous . .	Copies supplied to end of month	11	1 5 0		,, 31		
				550 12 10				

B—BILLS DELIVERED BOOK.—B

Continued.

PART II.—ABATEMENTS AND ALLOWANCES.

Date when made.	Client.	Description of Business.	Genl. Ledg. Folio.	Amount.
1906.				£ s. d.
Jan. 27	B. O. Switcham, Esq.	Various matters	8	2 10 0
Jan. 29	F. Wentoff, Esq.	" "	10	16 0 0
				18 10 0

T——TRANSFER BOOK OR JOURNAL.(a)——T

			Dr.			Cr.		
1906.			£	s.	d.	£	s.	d.
Jan. 1	OFFICE FURNITURE ACCOUNT, Dr.	P3	400	0	0			
	TO MR. SENIOR'S CAPITAL ACCOUNT . . .	P1				400	0	0
	Office furniture and books provided by Mr. Senior.							
,,	OFFICE FURNITURE ACCOUNT, Dr.	P3	200	0	0			
	TO MR. JUNIOR'S CAPITAL ACCOUNT . . .	P2				200	0	0
	Office furniture and books provided by Mr. Junior .							
,,	MAJOR ARTHUR JUNKS, Dr.	G5	315	0	0			
	TO ARTICLED CLERKS' PREMIUMS ACCOUNT .	P13				315	0	0
	Premium on Mr. G. H. Junks' articles.							
Jan. 3	PRINCE ROMANOFF'S EXECUTORS, Dr. . . .	G7	100	0	0			
	TO SIR A. FORWARD, BART.	G3				100	0	0
	Legacy.							
Jan. 5	SIR A. FORWARD, BART., Dr.	G3	23	15	0			
	TO B. O. SWITCHAM, ESQ.	G8				23	15	0
	Half-year's interest on £1,000 at 5 per cent. less tax due this day.							
Jan. 12	B. O. SWITCHAM, ESQ., Dr.	G8	2,000	0	0			
	TO SIR A. FORWARD, BART.	G3				2,000	0	0
	Advance on mortgage.							
,,	NO. 1 BANK ACCOUNT, Dr.	C	60	0	0			
	TO NO. 2 BANK ACCOUNT	C				60	0	0
	Costs of mortgage, Sir A. Forward, Bart., to B. O. Switcham.							

(a) As to the advantage to be gained by casting the columns of this book, see p. 35 above. There are no compound entries in this example.

T——TRANSFER BOOK OR JOURNAL.——T

Continued.

			Dr.			Cr.		
			£	s.	d.	£	s.	d.
1906. Jan. 18	MAJOR A. JUNKS, Dr. . .	G5	60	16	0			
	TO INTEREST AND COMMISSIONS ACCOUNT .	P12				60	16	0
	Commission for management and collection of colliery rents, 4 per cent. on £1,520 5s.							
,,	NO. 1 BANK ACCOUNT, Dr. .	C	60	16	0			
	TO NO. 2 BANK ACCOUNT	C				60	16	0
	Commission as above.							
Jan. 24	J. BENDIGO'S EXECUTORS, Dr.	G1		8	8			
	TO INTEREST AND COMMISSIONS ACCOUNT .	P12					8	8
	Fourteen days' interest on loan of £300 at 4 per cent. less tax.							
Jan. 26	CAPT. LEE ROBERTSON, Dr.	G6	40	0	0			
	TO INTEREST AND COMMISSIONS ACCOUNT .	P12				40	0	0
	Commission on sale of picture.							
Jan. 31	DEPOSIT ACCOUNT, Dr. .	P11		1	12	10		
	TO INTEREST AND COMMISSIONS ACCOUNT .	P12					1	12 10
	Thirty-one days' interest on money placed on deposit.							
,,	NO. 1 BANK ACCOUNT, Dr. .	C	508	6	6			
	TO NO. 2 BANK ACCOUNT	C				508	6	6
	Clients' moneys earned since 20th inst.:—							
	£ s. d.							
	B. O. Switcham . 23 15 0							
	J. Bendigo's Executors . .287 6 6							
	R. Titchgoal . 37 5 0							
	Capt. Lee Robertson . . . 40 0 0							
	Major A. Junks . 52 6 0							
	Sir A. Forward, Bart. . . 16 5 0							
	Prince Romanoff's Executors . 51 9 0							

T——TRANSFER BOOK OR JOURNAL.——T

Continued.

			Dr.			Cr.		
			£	s.	d.	£	s.	d.
1906. Jan. 31	CLIENTS' DISBURSEMENTS ACCOUNT, Dr. . . .	P7	64	4	2			
	To DISBURSEMENTS (GENERAL) ACCOUNT . .	P6				64	4	2
	Monthly total from Petty Cash Book.							
,,	SALARIES ACCOUNT, Dr. .	P8	38	7	6			
	To DISBURSEMENTS (GENERAL) ACCOUNT . .	P6				38	7	6
	Total of weekly salaries from Petty Cash Book.							
,,	MISCELLANEOUS OFFICE EXPENSES ACCOUNT, Dr. .	P9	21	6	3			
	To DISBURSEMENTS (GENERAL) ACCOUNT . .	P6				21	6	3
	Monthly total from Petty Cash Book.							
,,	INTEREST AND COMMISSIONS ACCOUNT, Dr. . .	P12	5	16	8			
	To MR. SENIOR'S CAPITAL ACCOUNT . . .	P1				5	16	8
	One month's interest on capital (£1,400) at 5 per cent.							
,,	INTEREST AND COMMISSIONS ACCOUNT, Dr. . .	P12	2	18	4			
	To MR. JUNIOR'S CAPITAL ACCOUNT . . .	P2				2	18	4
	One month's interest on capital (£700) at 5 per cent.							
,,	MISCELLANEOUS OFFICE EXPENSES ACCOUNT, Dr. .	P9	2	10	0			
	To OFFICE FURNITURE ACCOUNT	P3				2	10	0
	Depreciation of furniture, etc.							
,,	UNDELIVERED COSTS, ETC., ACCOUNT, Dr. . .	P14	85	0	0			
	To COSTS ACCOUNT . .	P10				85	0	0
	Balance of estimated undelivered costs less estimated abatements, etc.							

T——TRANSFER BOOK OR JOURNAL.——T

Continued.

			Dr.			Cr.		
			£	s.	d.	£	s.	d.
1906. Jan. 31	CLIENTS' DISBURSEMENTS ACCOUNT, Dr.	P7	26	2	0			
	To UNDISCHARGED LIABILITIES ACCOUNT	P15				26	2	0
	Estimated clients' disbursements outstanding.							
,,	MISCELLANEOUS OFFICE EXPENSES ACCOUNT, Dr.	P9	22	2	6			
	To UNDISCHARGED LIABILITIES ACCOUNT	P15				22	2	6
	Estimated miscellaneous office expenses outstanding.							
,,	PROFIT AND LOSS ACCOUNT, Dr.	P16	90	6	2			
	To CLIENTS' DISBURSEMENTS ACCOUNT	P7				90	6	2
	Balance transferred.							
,,	PROFIT AND LOSS ACCOUNT, Dr.	P16	159	4	2			
	To SALARIES ACCOUNT	P8				159	4	2
	Balance transferred.							
,,	PROFIT AND LOSS ACCOUNT, Dr.	P16	100	12	9			
	To MISCELLANEOUS OFFICE EXPENSES ACCOUNT	P9				100	12	9
	Balance transferred.							
,,	COSTS ACCOUNT, Dr.	P10	617	2	10			
	To PROFIT AND LOSS ACCOUNT	P16				617	2	10
	Balance transferred.							
,,	INTEREST AND COMMISSIONS ACCOUNT, Dr.	P12	94	2	6			
	To PROFIT AND LOSS ACCOUNT	P16				94	2	6
	Balance transferred.							
,,	ARTICLED CLERKS' PREMIUMS ACCOUNT, Dr.	P13	8	15	0			
	To PROFIT AND LOSS ACCOUNT	P16				8	15	0
	Proportion of premium for one month.							

TRIAL BALANCE, 31ST JANUARY, 1906.

		Totals.		Balances.	
		Dr.	Cr.	Dr.	Cr.
	General Ledger.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Folio 1	J. Bendigo's Executors.	10,013 2 2	10,000 0 0	13 2 2	
,, 2	Evan Cottesmore, Esq.	5,098 0 0	5,138 0 0		40 0 0
,, 3	Sir A. Forward, Bart.	2,130 7 6	2,100 0 0	30 7 6	
,, 4	Lord U. Holborough	2,482 7 0	2,410 2 0	72 5 0	
,, 5	Major A. Junks	1,908 17 0	1,916 0 0		7 3 0
,, 6	Capt. Lee Robertson	4,552 5 4	5,000 0 0		447 14 8
,, 7	Prince Romanoff's Executors.	951 9 0	994 19 0		43 10 0
	Totals carried to Summary	27,136 8 0	27,559 1 0	115 14 8	538 7 8
			27,136 8 0		115 14 8
		Balances	422 13 0		422 13 0
	Private Ledger.				
Folio 1	Mr. Senior's capital		1,405 16 8		1,405 16 8
,, 2	Mr. Junior's capital		702 18 4		702 18 4
,, 3	Office furniture	602 10 0	2 10 0	600 0 0	
,, 4	Mr. Senior's drawings	40 0 0		40 0 0	
,, 5	Mr. Junior's drawings	20 0 0		20 0 0	
,, 7	Clients' disbursements	90 6 2		90 6 2	
,, 8	Salaries	159 4 2		159 4 2	
,, 9	Miscellaneous — office expenses	100 12 9		100 12 9	
,, 10	Costs	18 10 0	635 12 10		617 2 10
,, 12	Interest and commission	8 15 0	102 17 6		94 2 6
,, 13	Articled clerks' premiums		315 0 0		315 0 0
,, 14	Undelivered costs, etc.	85 0 0		85 0 0	
,, 15	Undischarged liabilities		48 4 6		48 4 6
	Totals carried to Summary	1,124 18 1	3,212 19 10	1,095 3 1	3,183 4 10
			1,124 18 1		1,095 3 1
		Balances	2,088 1 9		2,088 1 9
	Cash Book—				
	No. 1 Account	3,721 4 3	1,748 17 2	1,972 7 1	
	No. 2 Account	27,325 4 0	26,786 16 4	538 7 8	
	Summary.				
	General Ledger totals	27,136 8 0	27,559 1 0	115 14 8	538 7 8
	Private Ledger totals	1,124 18 1	3,212 19 10	1,095 3 1	3,183 4 10
	Cash Book No. 1 Account	3,721 4 3	1,748 17 2	1,972 7 1	
	,, ,, No. 2 ,,	27,325 4 0	26,786 16 4	538 7 8	
		59,307 14 4	59,307 14 4	3,721 12 6	3,721 12 6

DIVISION OF PROFITS.

P. 16. PROFIT AND LOSS ACCOUNT.

Dr. 1906.			£ s. d.	1906.			Cr. £ s. d.
Feb. 1	To transfer to Mr. Senior's drawing account two-thirds of profit	P4	246 11 6	Jan. 31	By balance brought down .		369 17 3
,,	To transfer to Mr. Junior's drawing account one-third of profit	P5	123 5 9				
			369 17 3				369 17 3

P. 4. MR. SENIOR'S DRAWING ACCOUNT.

Dr. 1906.			£ s. d.	1906.			Cr. £ s. d.
Jan. 31	To cash monthly drawing .	C	40 0 0	Feb. 1	By transfer from Profit and Loss Account . . .	P16	246 11 6
Feb. 1	,, ,, balance of profit .	C	206 11 6				
			246 11 6				246 11 6

P. 5. MR. JUNIOR'S DRAWING ACCOUNT.

Dr. 1906.			£ s. d.	1906.			Cr. £ s. d.
Jan. 31	To cash monthly drawing .	C	20 0 0	Feb. 1	By transfer from Profit and Loss Account . . .	P16	123 5 9
Feb. 1	,, ,, balance of profit .	C	103 5 9				
			123 5 9				123 5 9

INDEX.

ABATEMENTS, how recorded, 102
Abbreviations, explanation of, 30, 105
Account "paying" credited, 6
„ "receiving" debited, 6
Accounts in ledger, list of, 59, 155, 167
Accounting party, 3
Allowances, how recorded, 102
Apportionment of premiums, 121
Appropriation Profit and Loss Account, 77, 82
Articled-clerks' premiums, apportionment of, 121
Assets, definition of, 84
„ how described in balance-sheets, 83
„ fixed, 85
„ floating, 85
„ specifically charged, 87
„ valuation of, in balance-sheets, 85
Auditor's certificate, 89

Bad debts, how recorded, 102
Balance-sheet, 21—29, 78, 83—99, 120—122
„ composition of, 21—27
„ object of, 21, 22
„ investigation of, 83—90
„ description of assets in, 83
„ order of items in, 22
„ forms of, 29, 78, 180
Bank account, 7—9, 14
„ „ simple form of, 14
Banking accounts, separate, 94, 95
Bill-clerk, checking of petty-cash book by, 97, 98
Bills delivered book, 99—102, 181, 182
„ „ „ what entries necessary in, 100—102
„ of costs, methods of preparing, 137—140
„ payable, 42, 45, 57, 68, 132, 133
„ „ book, 35, 57
Bills receivable, 40, 57, 68, 132, 133
„ „ book, 36, 57
Bogus references, 31
Books of original entry, 31
Bought journal or purchase-book, 35, 56
Business, the, forms subject of accounts, 9
By, technical term, 6

Capital, 7—9, 15, 168, 169
„ increase of, 82
„ interest on, 13, 104, 115, 168, 169
„ reduction of, 82, 87
Cash account, 7, 9, 14
„ „ simple form of, 14
Cash-book, 32, 46—49, 146—149
„ alternative forms of, 123, 124
„ items in, corresponding with pass-book, 95
Cash may include cheques, 7
„ transactions distinguished from credit, 9
„ „ do not require separate ledger account with customer, 9
„ „ examples of, 9
Cheque returned dishonoured, 11, 12
Clients' disbursements account, objects of, 97
„ ledger, contents of, 98
„ moneys, daily record of, 94
„ „ must not be mixed, 95
„ „ transfer of, to solicitor's own account, 111, 112
„ „ „ to other client's account, 113
Closing entries, 24, 81, 114—119
Companies Act, 1907 .. 86, 89
Companies, balance-sheets of, 83—90
„ „ description of assets in, 83
Compound transactions in journal, 34
Consignments, 40
Copies supplied, how recorded, 101
„ „ receipts for, 95
Costs undelivered, 116, 117
Counsel's fees paid through petty cash-book, 97
„ „ separate ledger account for, 125
"Cr.," technical term, 6
Credit entry, when made, 8
„ side of account, 5
„ transactions distinguished from cash, 9
„ „ examples of, 9, 10
„ „ require separate ledger account with customer, 10

Daily record of clients' moneys, 94
Debit entry, when made, 8
„ side of account, 5
Debts, bad, how recorded, 102
Depreciation of office furniture, 130
Disbursement ledger, where required, 126, 127
„ or petty-cash book, 58, 96—98
„ „ „ alternative forms of, 125—129
Disbursements, clerks', checking of, 42, 96, 125
Discount accounts, 7
„ „ simple form of, 17
„ allowance of, how recorded, 11, 12
Dishonoured cheque, 11, 12
Dotted line in accounts, explanation of, 13, 119
Double-compound transactions in journal, 34

Double entry, definition of, 5
" " essential feature of, 6
" Dr.," technical term, 6
Draft bills of costs, 137—140
Drawings on account of profits, 104
" " " propriety of, 132

Entries, closing, 24, 81, 114—119
" debit, made before credit, 8
Estimates, 116—119, 130—132
Expenditure, item in balance-sheet, 86—88
Explanation of abbreviations, 30, 105

Fixed assets, 85
Floating assets, 85
" Folio," technical term, 8

General or clients' ledger, contents of, 98
Goods account, 7, 9, 16
" " form of, 16
" " may be subdivided, 7
Goods returned, 11, 12
Goodwill, item in balance-sheet, 87

Impersonal accounts, 6
Increase of capital, 82
Insurance companies, profit and loss accounts of, 90
Interest on capital, see Capital

Journal, see Transfer book

Ledger accounts, balancing before books closed, object of, 81
" " when not required, 9
" " lists of, 59, 155, 167
" clients', see General ledger
" general, see General ledger
" object of the, 6
" private, see Private ledger
" simple example of, 13—17
" some accounts not kept in the, 6
" Lettering off" ledger items, 129
Liabilities undischarged, 117—118

Manufacturing account, 82
Memorandum books, 31, 94
Methods of preparing bills of costs, 137—140
Miscellaneous costs account, 101, 164

Narrative column, 19

Office expenses account, 7, 9, 15
" " subdivision of, 96
" furniture, depreciation of, 130
Open accounts, 24

"Opening" in ledger, 8
Opening set of books by entries in transfer book, 33, 34, 134—136
Original entry, books of, 31

Pass-book, items in cash-book corresponding with, 95
Personal accounts, 6
Petty cash book, 31, 32, 58, 96—98
„ „ alternative forms of, 125—129
"Posting," meaning of technical term, 8
Premiums, apportionment of, 121
Private ledger, 109—122, 99, 130—133, 167—179
„ „ contents of, 99
Profit and loss account, 21—28, 120—122
„ „ „ composition of, 21—26
„ „ „ object of, 21
„ „ „ forms of, 28, 77, 178
Profits, drawing on account of, 104, 132
„ unrealised, 116—117
Purchase-book or bought journal, 35, 56
Purchases account, 7

Reduction of capital, 82, 87
Reference column, 8
Reserve fund, 84
Return of cheque dishonoured, 11, 12
„ „ goods, 11, 12

Sales accounts, 7
„ „ day-book or sales journal, 35, 36
Separate banking accounts, 94, 95
Single banking account, 94, 95
Solicitors' accounts, 91
„ „ books required for, 93
Specimen transactions, 8—12, 37—45, 104—111
Stock-in-trade, 23—26
„ how valued, 24
Stock-taking, 24

Technical terms—
"by," 6
"Cr.," 6
"Dr.," 6
"folio," 8
"lettering off," 129
"opening," 8
"posting," 8
"to," 6
"To," technical term, 6
"Trader," the, meaning of the expression, 5
Trading account, 81, 82
Transactions, cash, distinguished from credit, 9
„ tabular lists of, 8—12, 37—45, 104—111
Transfer book not indispensable, 102, 134
„ „ uses of, 32–35, 80–82, 102, 103, 115, 134–136

Transfers between clients' ledger accounts, 113
Trial balance, 17—20, 83, 187
" " at what stage taken, 115, 116
" " form of, 20, 80, 187
" " method of taking, 18—20
" " object of, 18
" " sectional, 119
" " some errors not exposed by, 18

Unascertained profits and losses, estimates of, 116—119, 130—132
Uncalled capital, 88
Undelivered costs, 113, 114
" " account, how closed, 120, 121
Undischarged liabilities, 117, 118
Unrealised profits, 116, 117

Waste-book, 31

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